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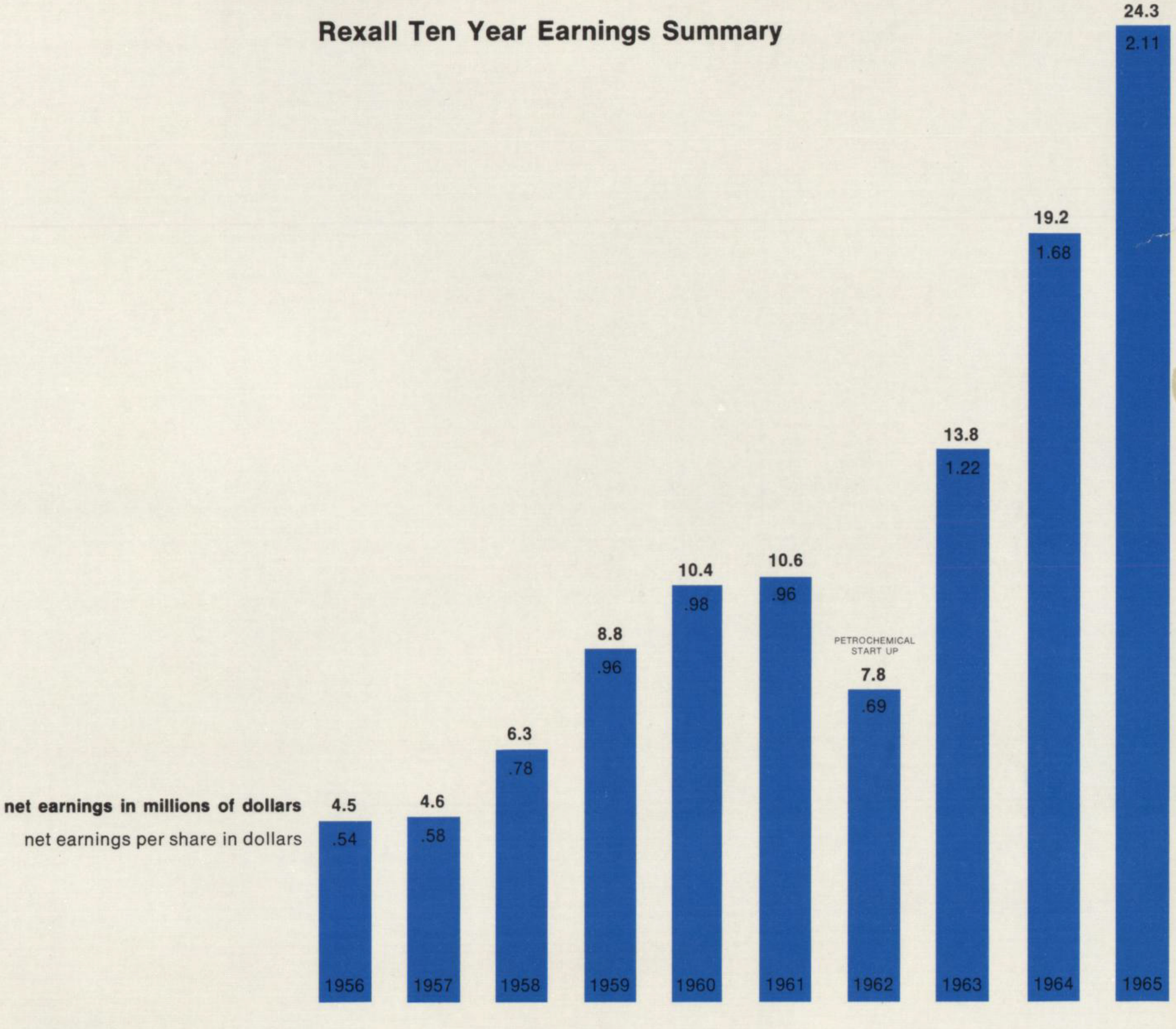
Rexall Drug and Chemical Company · Annual Report 1965

CHEMICALS
PACKAGING
CONSTRUCTION MATERIALS
DIRECT SELLING
HOME DECORATIONS
ETHICAL DRUGS
PROPRIETARY DRUGS
RETAIL DRUG STORES

Rexall Ten Year Earnings Summary



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President's Message

to the stockholders:

EARNINGS AND SALES

1965, like 1964, was another record year for Rexall Drug and Chemical Company.

Consolidated net earnings were $24,280,000, equal to $2.11 per share. This compares with $19,197,000 or $1.68 per share in 1964. Net earnings for 1965 include a gain of 7¢ a share from the sale of certain real estate. In 1964, there was a 15¢ per share gain from non-recurring income. Eliminating these gains, earnings from operations increased 34% to $2.04 per share from $1.53 per share in 1964.

Consolidated net sales for 1965

The Year in Brief

	1965	*1964†*
OPERATIONS		
Net sales	$360,171,000	$312,623,000
Net earnings	24,280,000	19,197,000
Per share	2.11	1.68*
NUMBER OF SHARES		
Average during year	11,518,873	11,446,158*
Outstanding at year end	11,593,363	11,465,120*
AT YEAR END		
Current assets	$155,583,000	$152,854,000
Current liabilities	56,698,000	51,702,000
Working capital	98,885,000	101,152,000
Long term debt	58,785,000	58,182,000
Stockholders' equity	155,719,000	133,508,000
DIVIDENDS — PER SHARE		
Cash	$ .30	$ .26¼
Stock	3%	3%

†Restated — see note to financial statements.

*Adjusted for three percent stock dividend issued in March 1965.

increased to $360,171,000 from $312,623,000 in 1964, an increase of 15%.

Sales and earnings for both years include results of companies acquired in 1965 on pooling of interests bases, including Ralph Wilson Plastics, Inc., where the acquisition was completed early in 1966. The 1964 earnings are adjusted for the 3% stock dividend paid in 1965.

NEW VENTURES

Rexall is broadening the scope of present activities with three new internally generated operations.

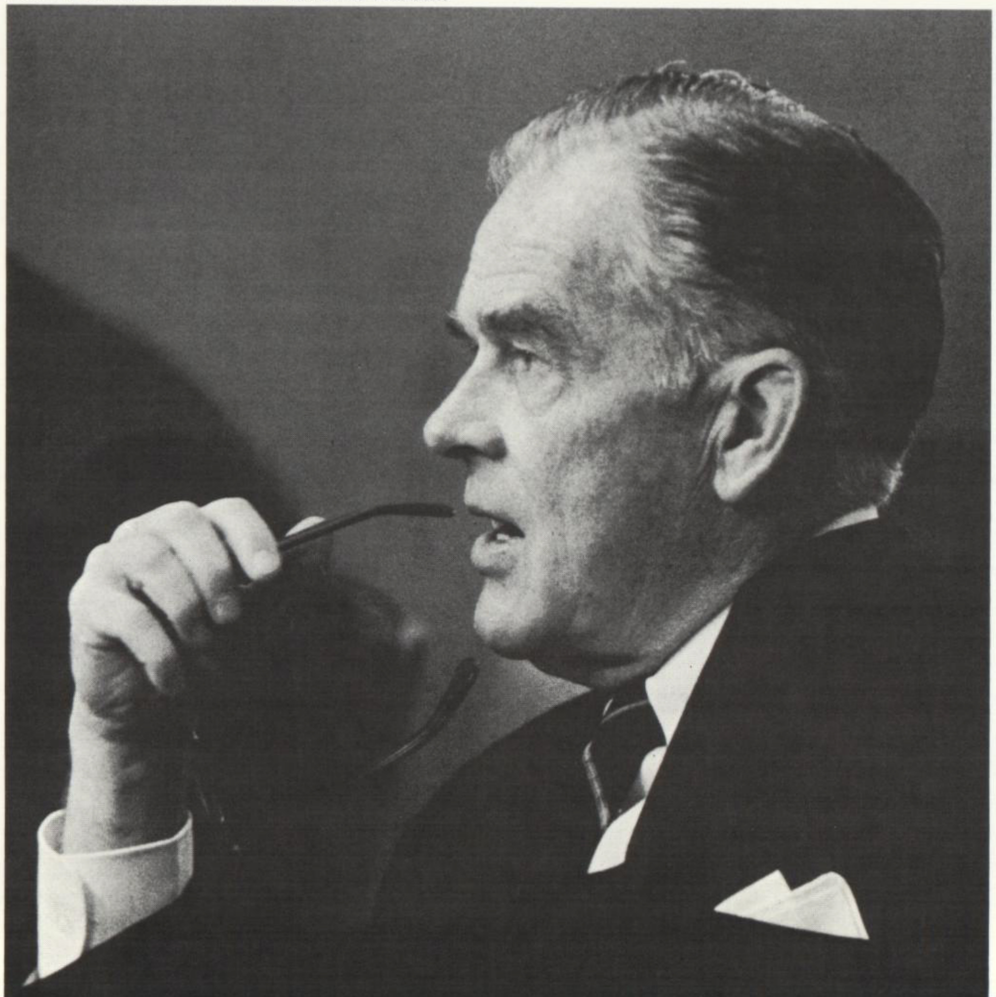
Your Chemical Group is currently bringing on stream an acrylonitrile-butadiene-styrene (ABS) plant.

Your Direct Selling Group is establishing a new door to door cosmetic company under the trademark *"Vanda."*

Your recently established Service Industries Group is initiating a premium gift program.

We have very high hopes that these operations will be important profit contributors to your Company. However, in the current year start up expenses will detract from rather than add to earnings.

JUSTIN DART, Chairman of the Board and President



ACQUISITIONS

Acquisitions also expanded the scope of your Company in 1965 with the purchase of companies specializing in plastic home decorations, construction materials and packaging. These are all new product lines which fit well into the overall pattern.

Your Directors recently agreed to recommend to you a merger with Thatcher Glass Manufacturing Company, Inc. This proposed merger has been approved in principle by the Boards of Directors of both companies and will be submitted to stockholders of the two companies at special meetings to be announced.

Thatcher has an outstanding record of growth and profitability. The natural growth of the glass container industry has been compounded by the rise in volume created by the increased use of disposable (non-returnable) containers for the soft drink and other beverage industries. Thatcher has achieved an important share of this growing market. In our opinion, Thatcher offers an attractive profit and growth opportunity.

We have recently agreed to acquire Plasti-Line, Inc., producer of outdoor illuminated signs largely made of acrylic plastic resins and used by nationally-known companies.

EXPANSION INTO NEW MARKETS— DOMESTIC AND INTERNATIONAL

In 1965, your Company's operating divisions were expanded with the addition of 13 new plants here and abroad. Rexall now operates 85 plants in 14 countries and exports from these to most of the free world.

PROPRIETARY POSITIONS

In each of our activities we are striving to develop proprietary positions. Our petrochemical processes were created in our wholly-owned petrochemical research laboratories. We have three licensees for our joint venture high pressure polyethylene process and three additional are pending. We are also discussing licenses on several other processes created by the Chemical Group individually or through joint venture.

We are developing a substantial part of production equipment used in the plastic processing of bottles, housewares and foam styrene products. Unique technologies are important in *Syroco* home decorations and *Wilson-Art* construction materials.

RESEARCH AND DEVELOPMENT

Construction of a 50,000 sq. ft. addition to our petrochemical research laboratory at Paramus, New Jersey, will begin shortly.

In the ethical drug field, Riker recently opened an English research establishment and a third Riker research facility is now under construction in Australia.

Our aggregate expenditure for research and development will again be substantially increased this year.

CORPORATE ORGANIZATION

Each of our divisions operates with a maximum of autonomy. Even our profit planning is decentralized but it flows back to the Corporate Vice President for Profit Planning and Controls in a strongly disciplined fashion. This concept was introduced to us by Ernest R. Breech whom we are fortunate to have as a Director. Without it we would have difficulty in controlling such a diverse and complex operation.

DIVIDENDS

The Company declared its regular quarterly cash dividends totaling 30 cents a share during 1965. For the eighth consecutive year, the Board of Directors voted a stock dividend of 3 percent, paid March 4, 1966 to the stockholders of record on January 14, 1966.

FINANCIAL CLIMATE FOR GROWTH

Your Company's dividend policy makes it possible for us to continue to apply the major portion of our net income toward diversification and internal expansion.

In addition to retaining 84% of 1965 consolidated net earnings in the business, the Company's financial strength was further improved by extending the maturities of its long term debt by five years and eliminating the requirement to make sinking fund payments until 1970, making available an additional $15,000,000 for investment in our expansion program. This refinancing was consummated prior to the increase in re-discount rates.

Because of the large percentage of earnings retained, the debt to asset ratio should improve substantially during this five year period even though there is no debt retirement.

DIRECTORS

William T. Gossett, formerly General Counsel and Director for Ford Motor Company, and Ralph Wilson, Sr., President of Ralph Wilson Plastics Company, have been elected to your Board. The Board of Directors joins me in extending a vote of thanks to James Shelton for his years of fine service. We are looking forward to many more years of association with him as an honorary Director.

SUMMARY AND OUTLOOK

It will continue to be our objective to expand our present divisions and to acquire new companies related to our present activities.

We are developing unique positions in many of the industries in which we operate through the creation of proprietary processes, and marketing know-how. We expect to benefit importantly from developments both domestically and internationally.

By providing a favorable management and financial climate to accomplish these objectives, we expect continuing progress in 1966.

Respectfully submitted,

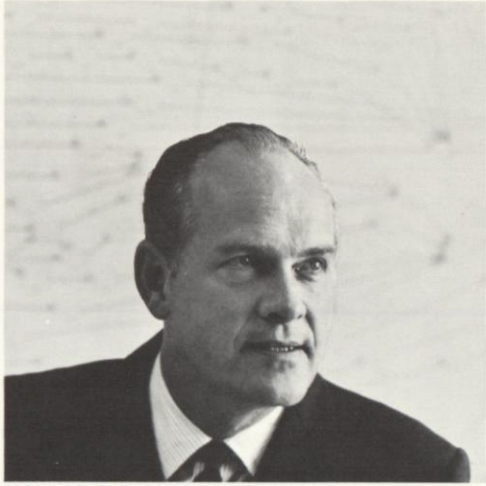
Justin Dart

JUSTIN DART, *Chairman of the Board and President*

March 18, 1966

ROLAND F. HALLETT, Vice President Long Range Planning and Treasurer

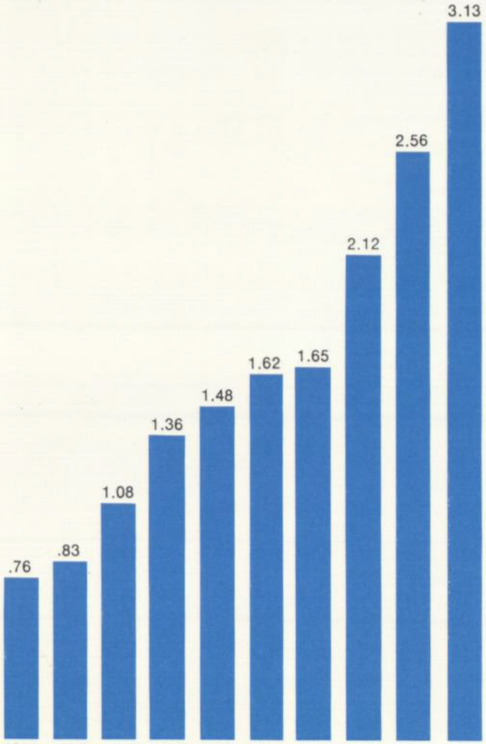
GEORGE J. DALY, Vice President Profit Planning and Controls



RICHARD A. PARKER, Vice President Organization

Cash Flow Per Share

Adjusted for stock dividends



Source and Application of Funds

	1965	1964†
SOURCE		
Cash flow*	$36,069,000	$29,294,000
Sale of properties and investments (excluding gain)	3,587,000	2,791,000
Modification of payment terms of long term debt	2,344,000	
Increase in long term debt of acquired businesses		1,414,000
Exercise of Common Stock options	1,667,000	655,000
Working capital decrease	2,267,000	
Other, net	1,094,000	704,000
TOTAL FUNDS PROVIDED	$47,028,000	$34,858,000
APPLICATION		
Properties and other assets purchased	$42,192,000	$19,386,000
Dividends paid by Rexall Drug and Chemical Company	3,095,000	2,528,000
Other changes in long term debt — net decrease	1,741,000	1,158,000
Working capital increase		11,786,000
TOTAL FUNDS APPLIED	$47,028,000	$34,858,000

*Net earnings plus depreciation and amortization and provision for deferred income taxes.

†Restated — see note to financial statements.

Board of Directors and Officers

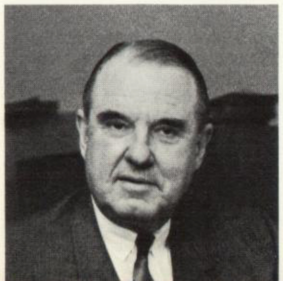
DIRECTORS

John Bowles
Ernest R. Breech
Donald H. Brewer
John C. Cornelius
George J. Daly
Justin Dart, *Chairman*
William T. Gossett
Alfred M. Gruenther
Roland F. Hallett
Ralph M. Knight
F. Thatcher Lane
George L. Maison, M.D.
Stanley M. Rumbough, Jr.
Holmes Tuttle
Hamer F. Wilson
Ralph Wilson

John Bowles
Vice President and Chairman of Rexall Drug Products International. Joined Rexall in 1950, advancing in sales to the president of the Rexall Drug Company in 1955.

Ernest R. Breech
Chairman of the Board of Directors of Trans World Airlines, Inc., a Director of the Ford Motor Company, The One William Street Fund, Inc., and Lehman Corporation.

Donald H. Brewer
Vice President and President of Packaging and Processing Group. Formerly Senior Vice President, Container Corporation of America. Joined Rexall in 1959.



John C. Cornelius
Director of Red Owl Stores, Inc., and Director and Member of the Executive Committee of Investors Mutual, Inc., and other companies.

George J. Daly
Vice President, Profit Planning and Controls. Was consultant to Secretary of the Army and Chief Executive Officer, Elgin Watch Company. Joined Rexall in 1961.

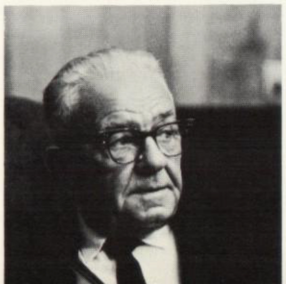
Justin Dart
Chairman of the Board and President
Joined Rexall as Vice President in 1941 and was elected President in 1943; Director of United Airlines.

William T. Gossett
Counsel to Dykema, Wheat, Spencer, Goodnow & Trigg, Detroit. Director of American Presidents Life Insurance Company and The One William Street Fund, Inc.

Alfred M. Gruenther
General, U.S.A. (Ret.)
Former Supreme Allied Commander, Europe. Director, Pan American Airways; New York Life Insurance Co.; Federated Department Stores, Inc.

Roland F. Hallett
Vice President and Treasurer. LL.B. Northeastern University. Joined Rexall in 1942. Served as General Counsel. Also responsible for corporate long range planning.

Ralph M. Knight
Vice President and President of Chemical Group. Joined Rexall in 1960. Formerly with National Distillers and Chemical Corp., DuPont and Standard Oil of Indiana.



F. Thatcher Lane
Director of Curtiss-Wright Corporation, United Illuminating Company and Liberty Mutual Insurance Company.

George L. Maison, M.D.
Vice President and Chairman of Ethical Drug Group. Formerly head of the Department of Pharmacology, Boston University. Joined Riker in 1952.

Stanley M. Rumbough, Jr.
President of the Rumbough Company; Director of International Flavors and Fragrances, Inc., Avis Industrial and other companies.

Holmes Tuttle
President and Director of Holmes Tuttle Ford Sales, Inc., Beverly Lincoln-Mercury, Inc., Los Angeles.

Hamer F. Wilson
Vice President and President of Direct Selling Group. With American Airlines before joining Tupperware in 1952. Named Tupperware President in 1958.

Ralph Wilson
President and Chief Executive Officer of Ralph Wilson Plastics Company. Entered laminated plastics in 1943. Organized Ralph Wilson Plastics in 1955.

EXECUTIVE COMMITTEE

Justin Dart, *Chairman*
Ernest R. Breech
Alfred M. Gruenther
Holmes Tuttle

AUDIT COMMITTEE

Ernest R. Breech, *Chairman*
Alfred M. Gruenther
Holmes Tuttle

STOCK OPTION COMMITTEE

Holmes Tuttle, *Chairman*
F. Thatcher Lane
Stanley M. Rumbough, Jr.

SALARY AND INCENTIVE COMPENSATION COMMITTEE

Ernest R. Breech, *Chairman*
William T. Gossett
Alfred M. Gruenther

EXECUTIVE PERSONNEL COMMITTEE

Alfred M. Gruenther, *Chairman*
Ernest R. Breech
John C. Cornelius

HONORARY DIRECTORS

Earl E. Anderson
Paul A. Draper
James E. Shelton

OFFICERS

Justin Dart, *President*
Norbert Baillen, *Vice President*
Robert T. Beattie, *Vice President*
John Bowles, *Vice President*
Donald H. Brewer, *Vice President*
George J. Daly, *Vice President*
Roland F. Hallett, *Vice President and Treasurer*
Ralph M. Knight, *Vice President*
George L. Maison, M.D., *Vice President*
Richard A. Parker, *Vice President*
Edwin L. Ramsey, *Vice President*
Hamer F. Wilson, *Vice President*
Benjamin H. Dorman, *Secretary and Corporate Counsel*
Russell K. Bolton, *General Counsel*

Norbert Baillen
Vice President and President of Tupperware Europe. Formerly Director for France of Pan American Airways. President of the American Chamber of Commerce in France.

Robert T. Beattie
Vice President and President of Retail Group. President of Blum's when acquired in 1956. Served as Chief Executive Officer of Owl-Drug King and Liggett Drug Company.

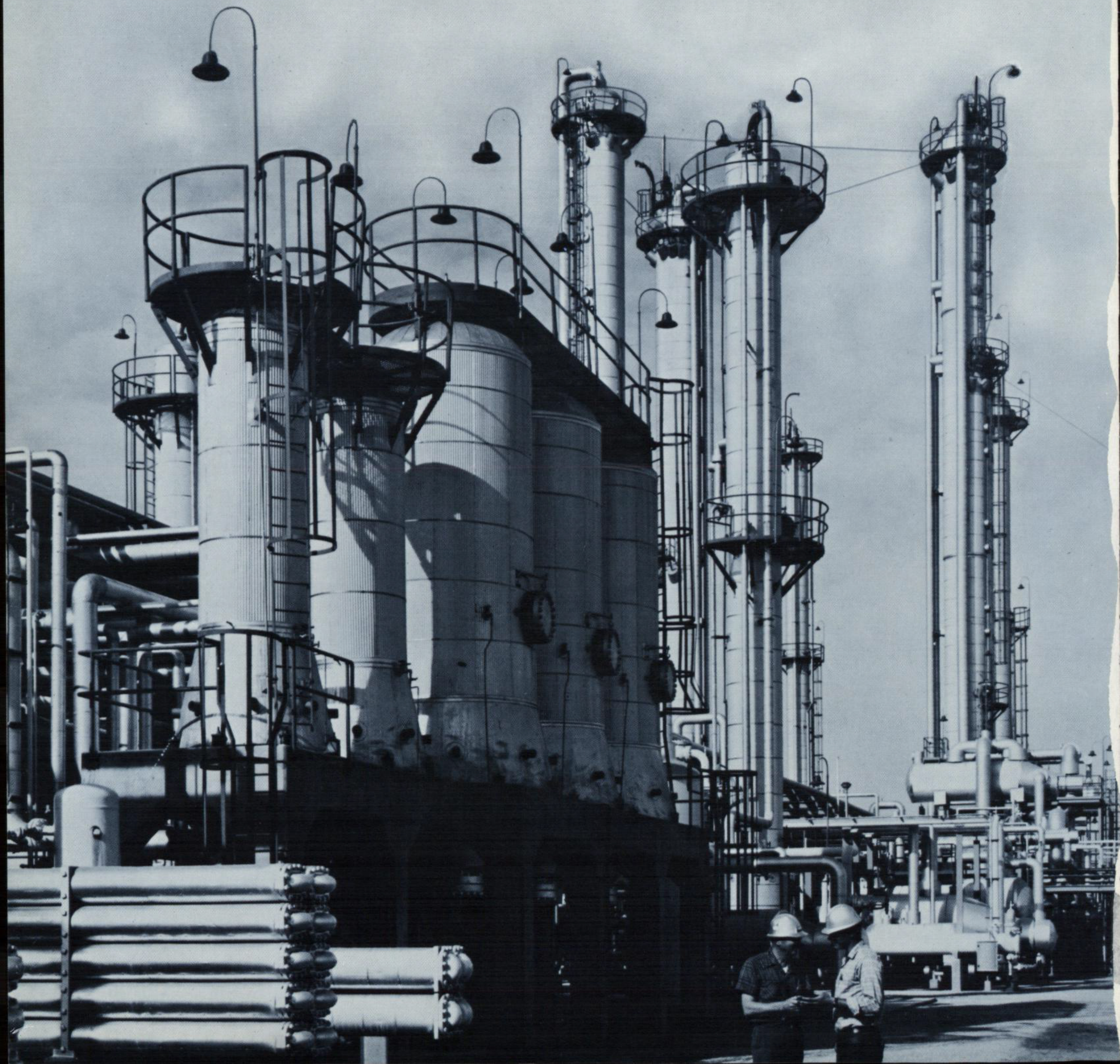
Richard A. Parker
Vice President, Organization and President of Services Industries Group. Previously Marketing Vice President, Allstate Insurance Company. Joined Rexall in 1964.

Edwin L. Ramsey
Vice President and General Manager, Rexall Drug Products Group — U.S.A. Joined Rexall in 1948. Held key Rexall Drug Company positions in marketing and new product development.

Benjamin H. Dorman
Secretary and Corporate Counsel. B. A. degree Harvard College; M.B.A. Harvard Business School, law degree from Northeastern University. Joined Rexall in 1940.

Russell K. Bolton
General Counsel; LL.B. West Virginia; LL.M. degree in Taxation, N.Y.U. Formerly with Olwine, Connelly, Chase, O'Donnell & Weyler. Joined Rexall in 1961.

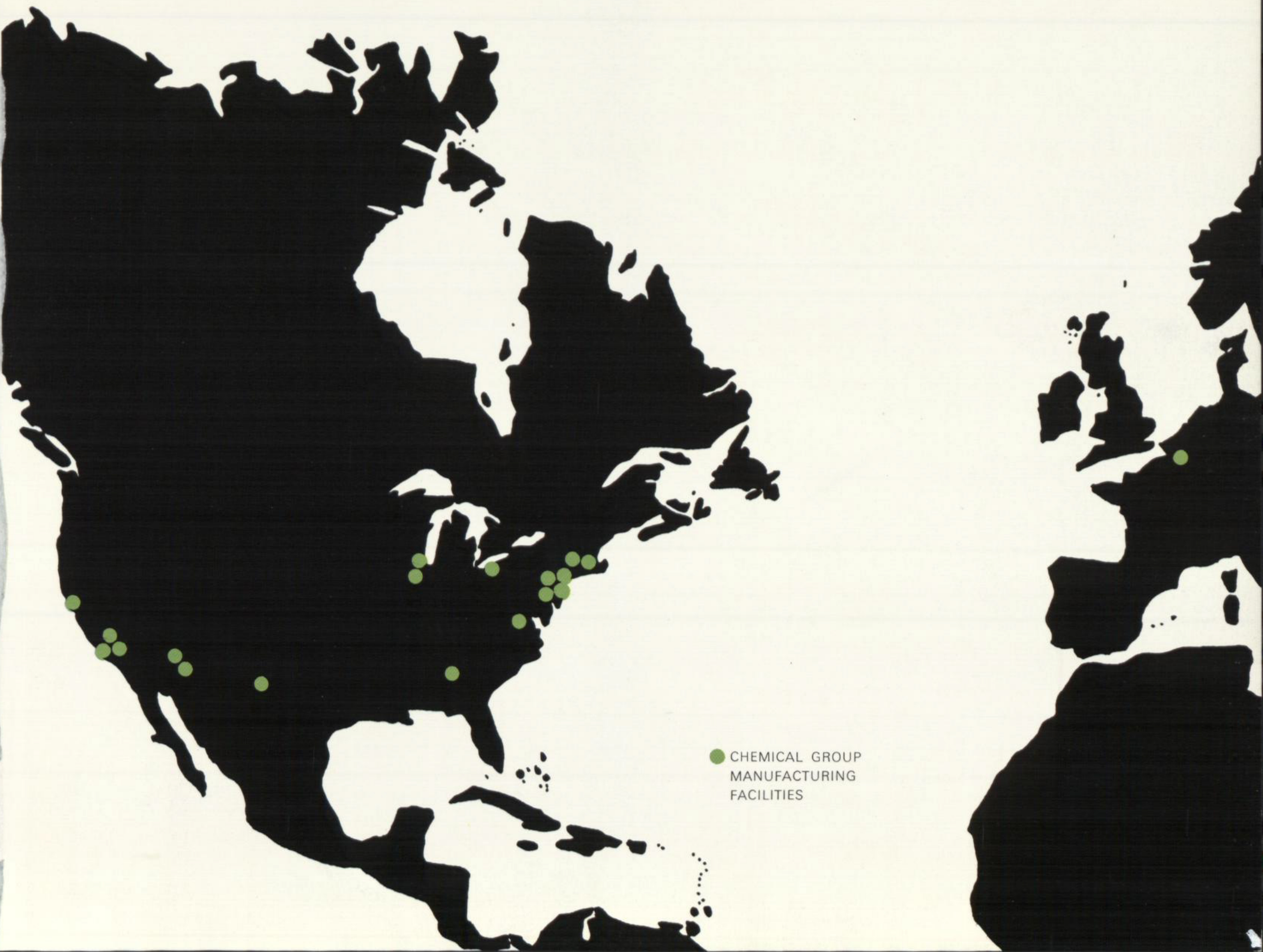
Chemicals



RALPH M. KNIGHT, President, Chemical Group

Rexall Chemical Company specializes in one of the fastest growing segments of the chemical industry — plastics. Specifically, it has concentrated its efforts in high and low pressure and suspension polymerization processes. This concentration of interest has enabled Rexall to conduct one of the most effective research and development programs in the petrochemical field. Plants utilizing these processes continue to operate at capacity after repeated expansion programs.

Rexall Chemical is providing further economies by embarking on an in-plant program of combining fabrication with raw material production. Rexall's olefin and polyolefin activities at Odessa, Texas are a joint venture with the El Paso Products Company.



polyethylene

Sales continue to exceed capacity. Expansion at the Rexall-El Paso joint venture Odessa, Texas, plant, has increased capacity to 300 million pounds per year. The company has also benefited from worldwide licensing of the joint venture's polyethylene process abroad.

polypropylene

Market demands and joint venture production improvements have raised production rates from the 30 million pound designed capacity up to 40 million pounds annually. In 1966 work will start to further expand capacity to 50 million pounds. This facility is also producing new homopolymers and copolymers developed through Rexall research.

ethylene propylene

The joint venture olefins plant modification under way will increase capacity to 425 million pounds per year. Output is primarily for use as feed stock in the joint venture's adjacent polyethylene and polypropylene plants.

Odessa, Texas, joint venture petrochemical complex

NATURAL GAS SUPPLY
PROPYLENE SUPPLY
PROPYLENE RETURN
TO O. PLANT
NITROGEN SUPPLY

Color concentrates, Belgium

color concentrates

Wilson Products Company and Stabiloid Company, New Jersey, blend color concentrates for plastics and water-based products, respectively. Wilson's technical competence is enabling them to increase their share of this growing industry. Operations have been extended to Belgium.

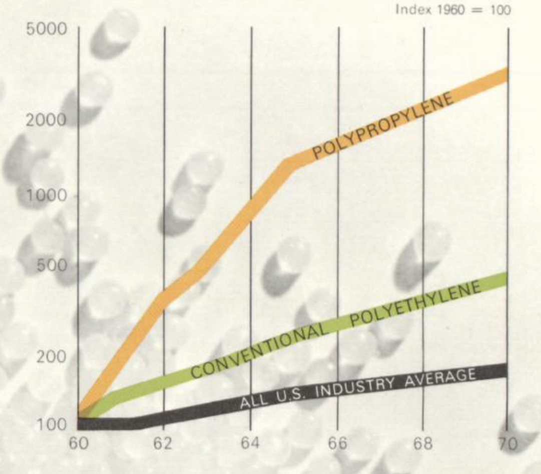
Mel Wilson, President, Wilson Products Co.

Petrochemical research

new polymers

Rexall's research center, now wholly-owned, at Paramus, New Jersey, has developed several new homopolymers, copolymers and terpolymers, with some already in test market production at Odessa and others in the pilot plant stage.

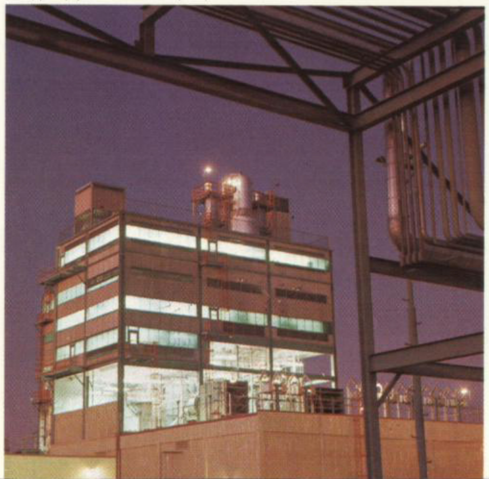
Chemical Products vs. all U.S. Industry



SOURCE: U.S. Tariff Comm. and Industry estimates

Polyethylene expansion

Polypropylene and copolymers



foam cups

From its inception three years ago, Thompson Industries now operates nine plants, all producing foam polystyrene disposable drinking cup and food containers. Thompson, which designs and makes its own machines, is the recognized leader in quality in this new industry. Foam ceiling tile is under test.

Darrow and Stan Thompson with foam cups and tile

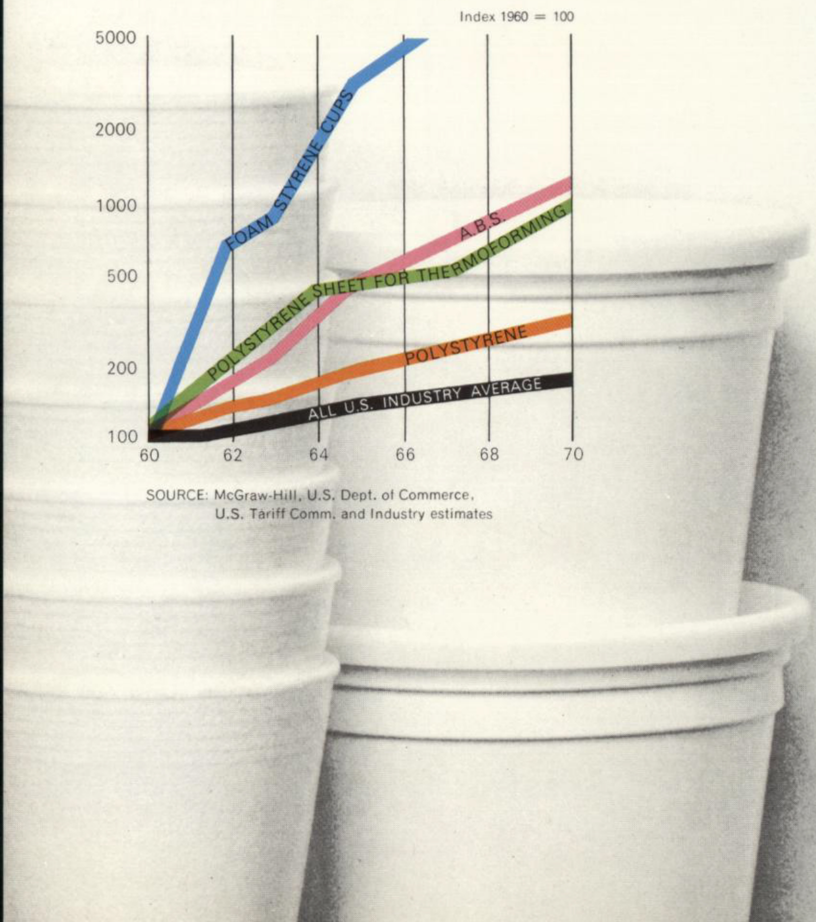
polystyrene

High impact or general purpose polystyrenes are now also produced at Rexall's Ludlow, Mass., plant in addition to Holyoke, Mass., and Santa Ana, California. At Ludlow and Santa Ana, in-plant integration from raw material to finished vacuum-formed containers and closures provides additional economies.

sheet styrene containers

High volume, low cost thermoformed polystyrene containers and closures by Rexcel are replacing paper products in the dairy and food industries for such items as cottage cheese and spreads. Rexall has added West Coast production to meet new and increasing demands.

Chemical Products vs. all U.S. Industry

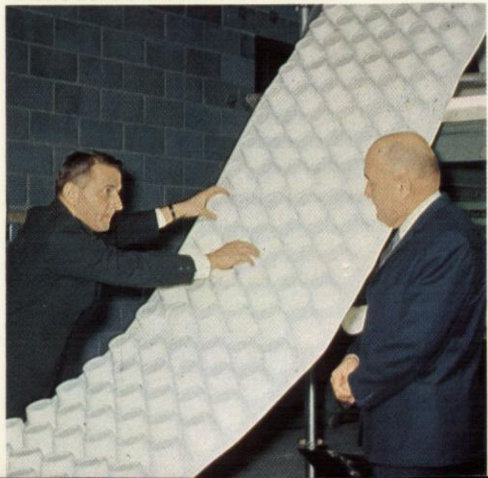


SOURCE: McGraw-Hill, U.S. Dept. of Commerce,
U.S. Tariff Comm. and Industry estimates

Foam cup production

Thermoformed containers

Rexcel's David Bruns and Louis Martinelli



abs

Rexall's wholly-owned 33 million pound per year (ABS) acrylonitrile-butadiene-styrene plant is nearing completion at Joliet, Illinois. Utilizing a process developed by Rexall, its market applications include auto, refrigerator and other household appliance parts.

oriented sheet

Oriented polystyrene sheet provides material for fabrication with superior strengths and other favorable characteristics. At Ludlow, Mass., both uni-oriented and biaxial oriented sheet are produced for internal use and for the plastic thermoforming industry.

fine chemicals

Rexall's Kearny, New Jersey plant produces salicylic acid and its derivatives, primarily acetylsalicylic acid (aspirin), salicylamide, and methyl salicylate. New products are under development.

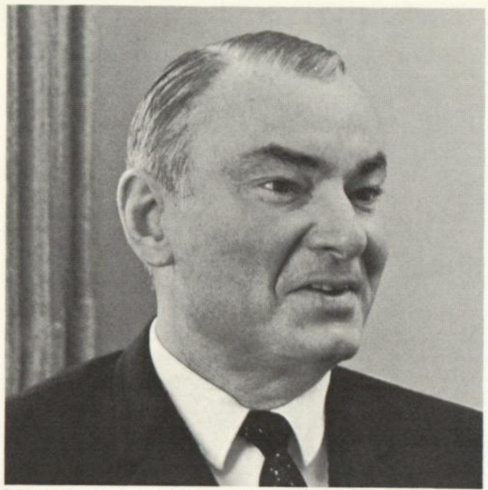
Wholly-owned A.B.S. plant nearing completion—Joliet, Illinois

Packaging and Processing

Packaging

Construction Materials

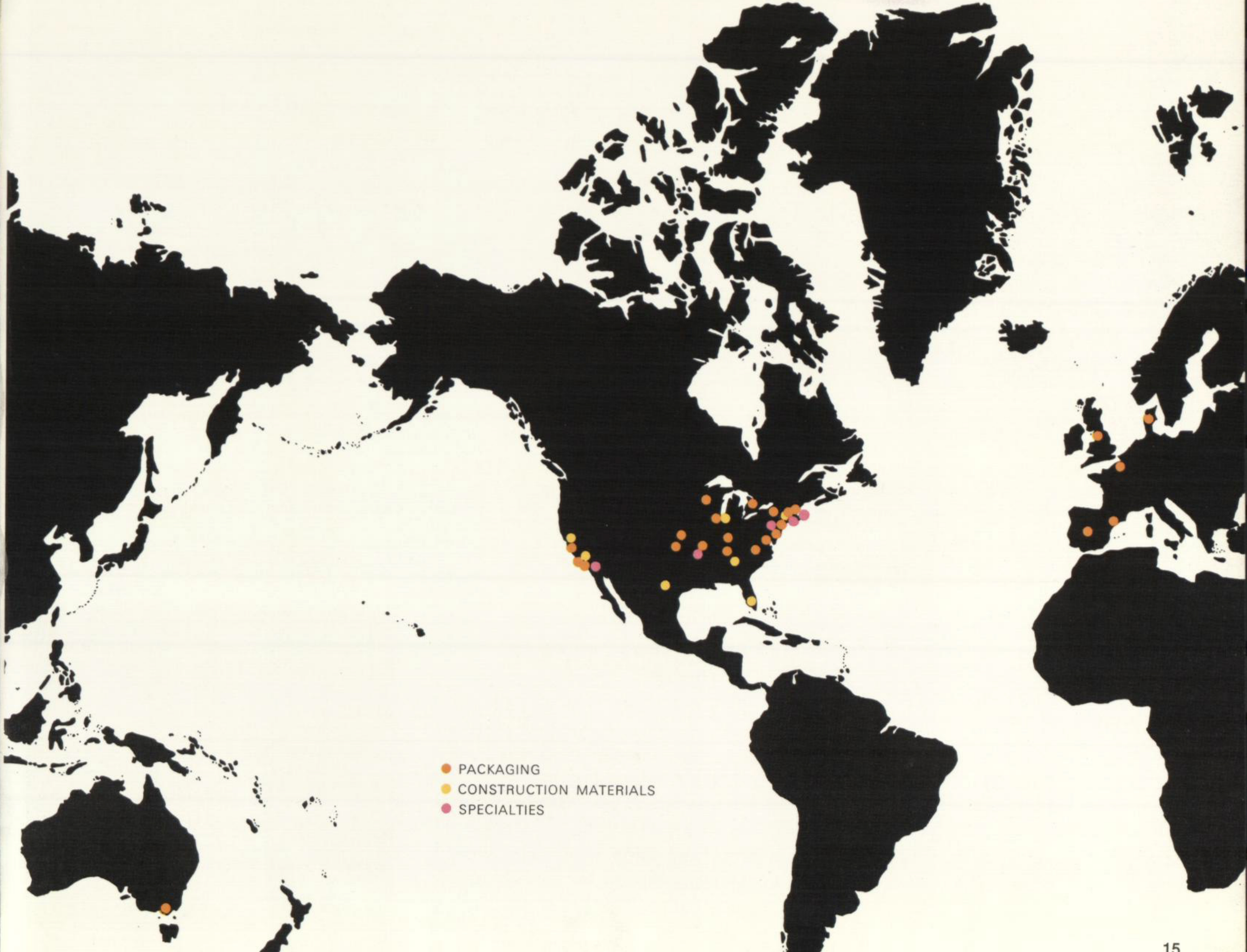
Specialties



DONALD H. BREWER, President, Packaging and Processing Group

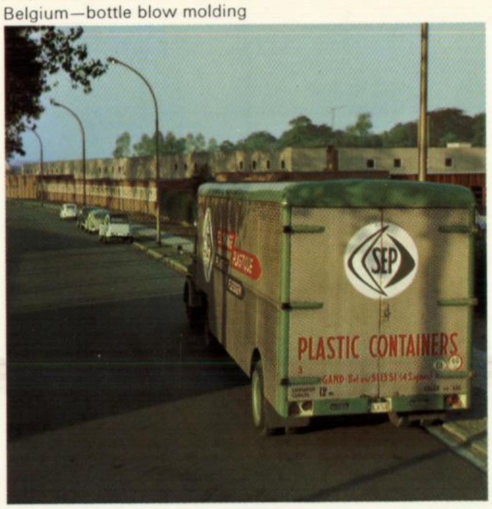
Rexall companies in packaging, construction materials and specialty products all serve growing industries. In each there is an unique product or process involved. Many manufacture much of their own machinery, tools and dies. Certain of these companies are important consumers of Rexall's petrochemical raw materials. Their facilities are being expanded here and abroad to better service customers and growing world markets.

Rexall's domestic plastic bottle and film operations form Consolidated Thermoplastics Company, jointly owned with El Paso Products Company.



plastic bottles

IMCO's domestic volume in 9 plants continues to grow. B.E.P.S.A. and Litoplas acquired in Spain add to worldwide facilities in England, Canada, Australia, Belgium and soon, Denmark. PVC, a clear plastic, is creating new markets while IMCO technology is giving Rexall a unique position in this field.


SEP
PLASTIC CONTAINERS

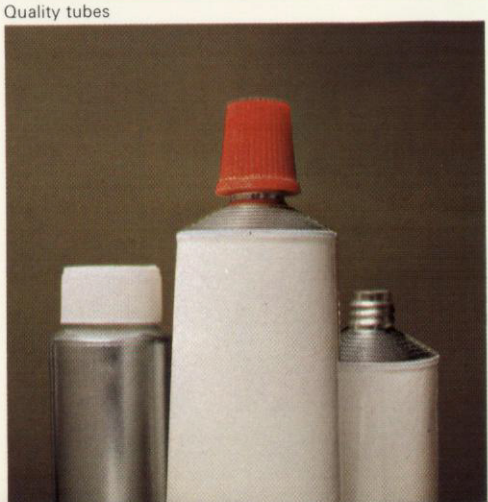
Belgium—bottle blow molding

COLD WATER
Silk-Sheen
Cream Shampoo
AJAX
NEW BLUE FORMULA
Bright Idea
Young Touch
HAND LOTION
Helena Rubinstein
Dove
DOMOL
bath emollient
Boraxo
deep magic
DRY SKIN CONDITIONER
bronztan
SUN TESTED
MENNEN
spray deodorant
FOR MEN
Brake
To LaKol
BATH OIL
PALMO

The spectrum of IMCO's unique containers—Note new glass-like P.V.C.

metal tubes

Fluoride toothpaste is being added to a growing list of pharmaceutical, proprietary drug and cosmetic products that are now packaged in lightweight aluminum tubes with White Metal Manufacturing Company's special internal lacquer process. As a leader in the field, White continues to expand its conventional and new applications business.

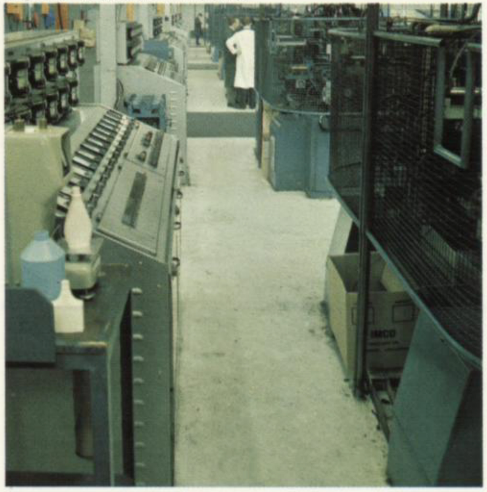


Quality tubes

closures

More and more manufacturers are turning to highly-complex closures for cosmetics containers and toys as well as high-volume, low-cost plastic closures for detergents. IMCO and Rexpak provide the complete spectrum of capabilities in injection molding these products.

England—bottle blow molding

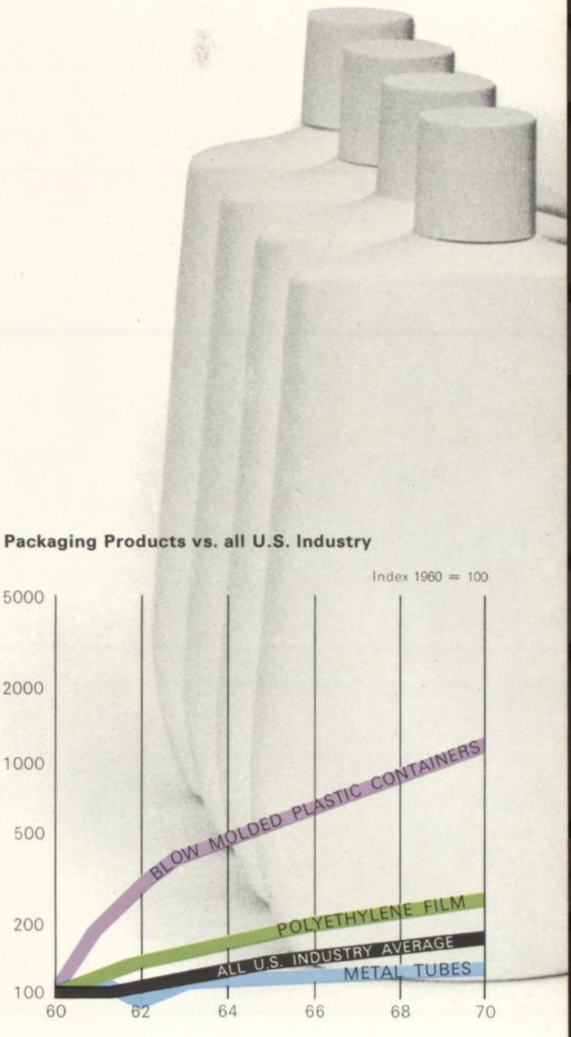


Spain—Packaging film

packaging film

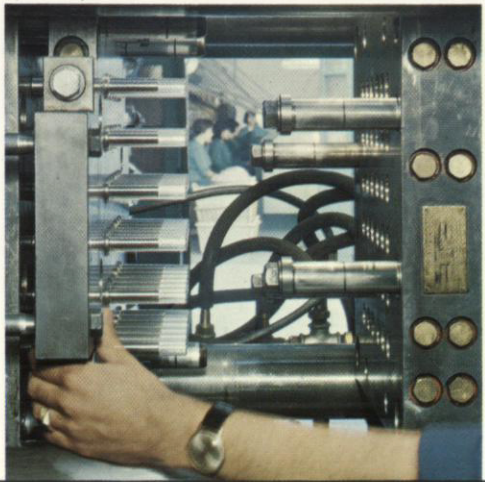
Rexall extended its film operations internationally with the acquisition of B.E.P.S.A., currently expanding to larger quarters in Barcelona, Spain. Domestically, Consolidated Thermoplastics Film, through its three plants, continues as one of the nation's leading producers of quality polyethylene films for such critical products as bakery and food overwrap.

Packaging Products vs. all U.S. Industry



SOURCE: McGraw-Hill, U.S. Dept. of Commerce

Spain—Injection molded vials



plastic vials

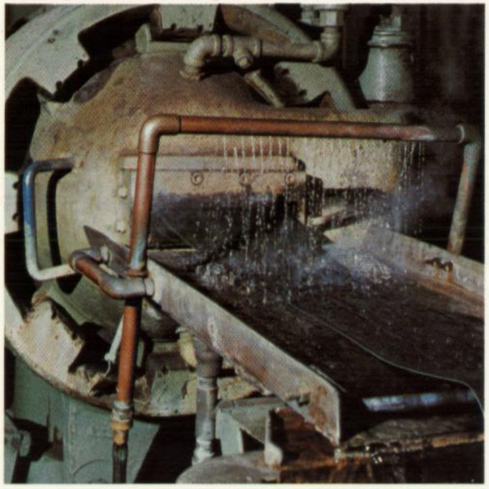
Polystyrene vials and containers are an important part of Litoplas' Madrid, Spain production. Leadership in this field was developed through unique high-speed printing techniques.

plastic blending

Colorite's Unichem Division is one of the most knowledgeable compounders and blenders of polyethylene and polyvinyl chloride raw materials to industry. Colorite's compounding capability enables it to maintain leadership in specialty plastic extrusion and polyvinyl chloride garden hose.

Specialty extrusions—Pens to aerosol tubing

Polyvinyl chloride blending



Colorite's all-weather hose coils easily in cold weather

extrusions

Flexible hose, ball point pen cartridge tubes and barrels, aerosol tubing and other items in Colorite's Action Division have moved to expanded facilities at Totowa, New Jersey. New items include felt marker pen inserts. Colorite is now manufacturing and marketing specialties in western Europe.

garden hose

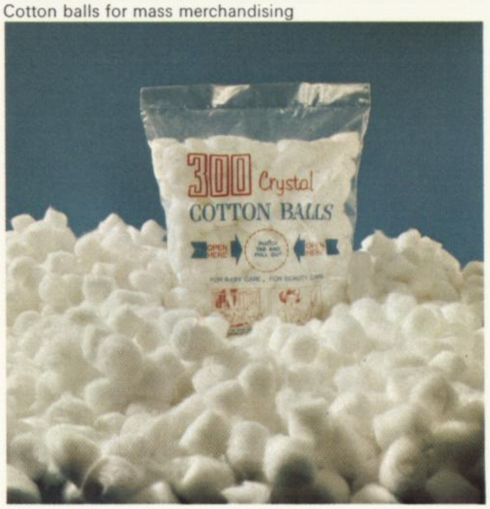
To meet growing demands, Colorite's PVC garden hose is now produced in Southern California as well as New Jersey. Colorite's new large diameter high burst flexible PVC all-season hose is being introduced in new markets, including golf courses, institutions and industries.

surgical products

Adding to its line in 1965, Seamless now provides a full line of rubber and plastic surgeon's gloves. First to introduce a pre-sterilized premium glove, Seamless has significantly increased its share of the market and is one of the leaders in the field. In 1966 a line of operating room disposable dressing kits and medical tubing will be introduced utilizing the Company's plastic technology.

Seamless' renowned surgeon's glove

Cotton balls for mass merchandising



hygienic products

Feminine hygiene products have been improved for broader consumer appeal. Within a short time after introducing its own brand-name cosmetic cotton balls, Seamless production facilities operated at full capacity. Other new cosmetic cotton products will be introduced in 1966.

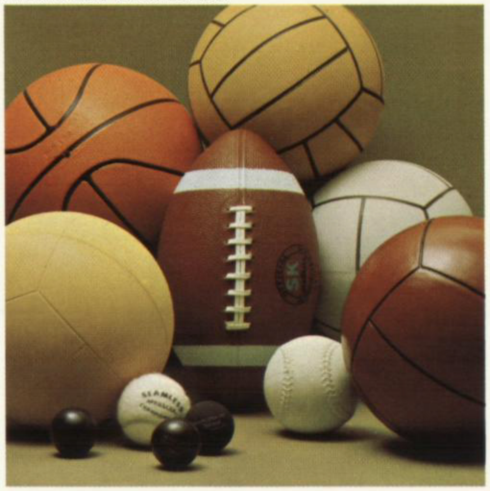
abrasives

After many years of providing abrasives for industry, United Cotton Products now markets its own line of long-life sanding and sharpening disks. U.C.P. also supplies disks for leading power tool companies.

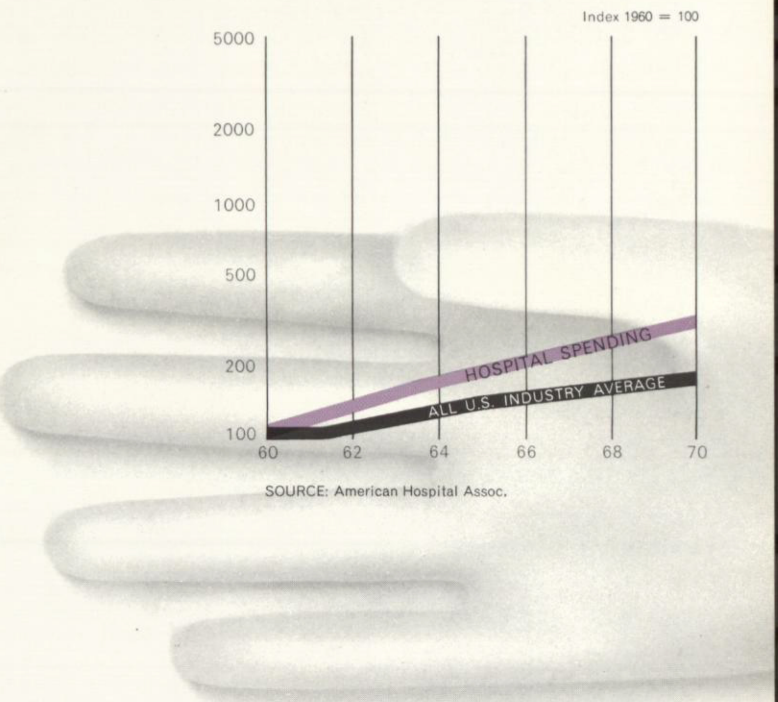
sporting goods

Seamless continues to increase its position in athletic balls for school use. Through an extensive consumer merchandising and sales program directed toward high volume retail outlets, Seamless has significantly increased its share of market.

Athletic balls for school use



Hospital Expenditures vs. all U.S. Industry



SOURCE: American Hospital Assoc.

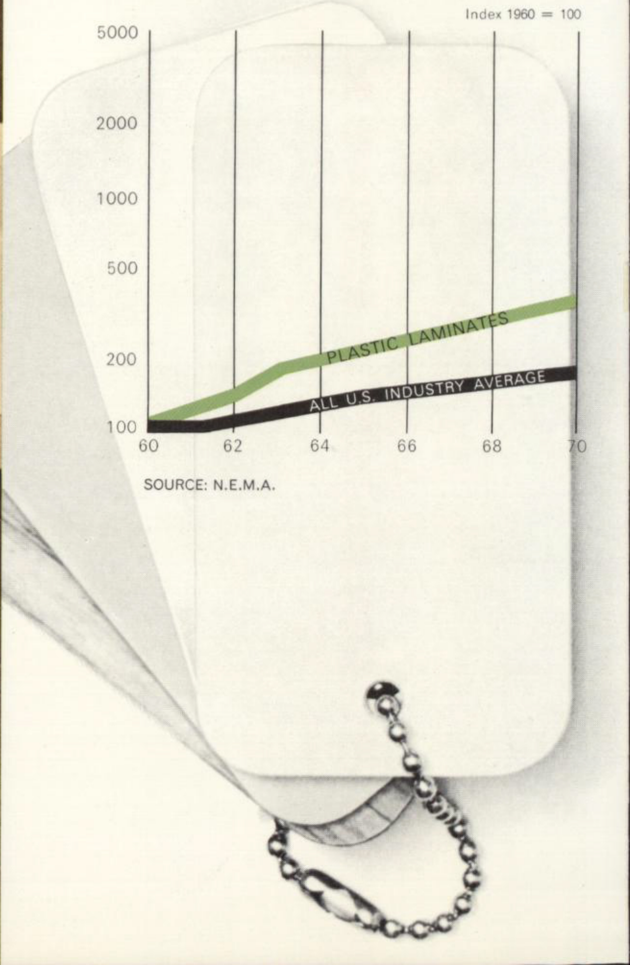
Construction Materials

Under the trade name *"Wilson-Art,"* the Ralph Wilson Plastics Company produces over 200 patterns in plastic laminates sold direct and to over 150 distributors throughout the United States. Ralph Wilson has enjoyed a dramatic growth over its 10 years by providing a wide variety, quality products and prompt service to the construction and furniture industries. Wilson today operates from seven fully stocked, strategic locations, insuring full sales coverage and quick delivery. Wilson is currently expanding its Temple, Texas, production facilities by 33% to 160,000 square feet. New laminated products are under test.

decorative laminates

Wilson produces decorative plastic laminates in natural wood grains and solids for counter tops, sinks, cabinetry as well as for wall and furniture finishing. The color and grain of wood is preserved in a durable and versatile laminate proven through years of use.

Construction Materials vs. all U.S. Industry



SOURCE: N.E.M.A.

laminated art

Wilson has developed, and has under test, a process that laminates attractive full color decorative art prints or photos. This process enhances products ranging from coffee tables to wall decorations and provides the durability of counter top laminates.

A line of wood grains laminated to particle type wallboard is under test, easily installed in modular tongue-and-groove units. Quality, installation advantages, reduced maintenance and the opportunity to integrate with modular laminated art products combine to permit wider use of decorative woods throughout the home, and potentially tripling the size of the in-home laminate market.

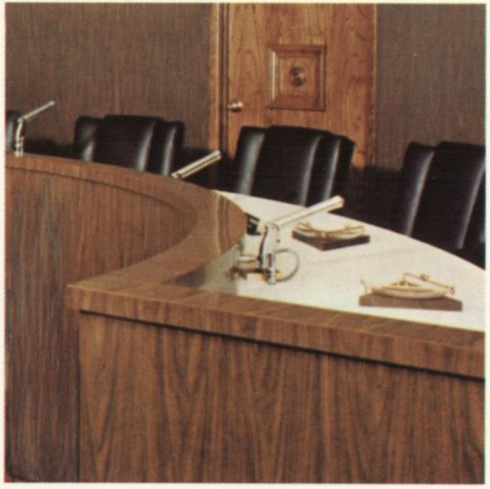
wallboard

Wilson management: Ben Wilson, Ralph Wilson, Jr., Ralph Wilson, Sr. and Charles E. Feltner

RALPH WILSON PLASTI

Durable kitchen and cabinet laminates

Natural wood-grain wall laminates



High pressure lamination, Temple, Texas

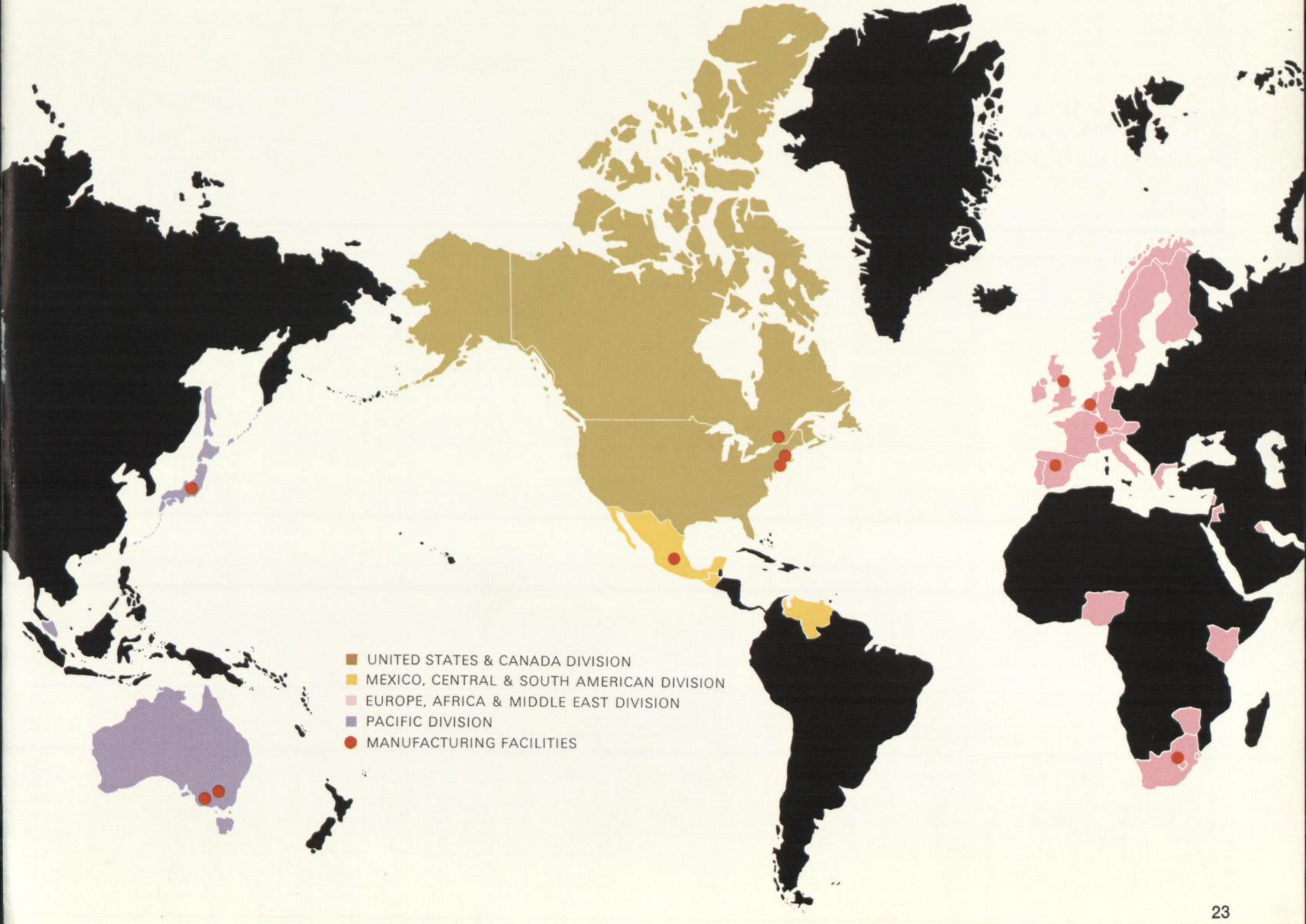
Tupperware International

HAMER WILSON, President, Direct Selling Group

Tupperware is the number one brand name in plastic housewares in the United States. It is sold in 30 other countries of the free world. Whereas two years ago Tupperware operated five plants, shortly Tupperware will be manufacturing in 10 countries.

Product research and development, with emphasis on quality control, are constantly improving and expanding the line of products. The *Tupperware* product line is being expanded from primarily kitchen and dining items to include products used in other parts of the home.

At Tupperware parties, the unique features and quality of the product are demonstrated to homemakers to save them time, food and money. Tupperware consistently gives recognition to its direct selling organization. It is through the efforts of these people that Tupperware will continue its growth in the U.S. and abroad.


■ UNITED STATES & CANADA DIVISION
■ MEXICO, CENTRAL & SOUTH AMERICAN DIVISION
■ EUROPE, AFRICA & MIDDLE EAST DIVISION
■ PACIFIC DIVISION
● MANUFACTURING FACILITIES

kitchen aids

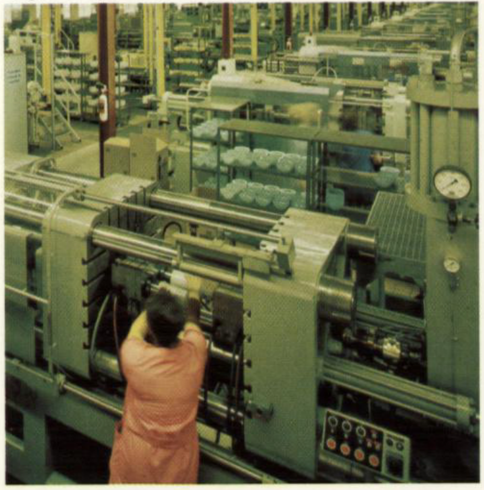
Every minute in the kitchen is important to a busy housewife. *Tupperware* kitchen aids are designed to save time and conserve food for busy housewives. Products range from salad molds to baking aids.

food storage

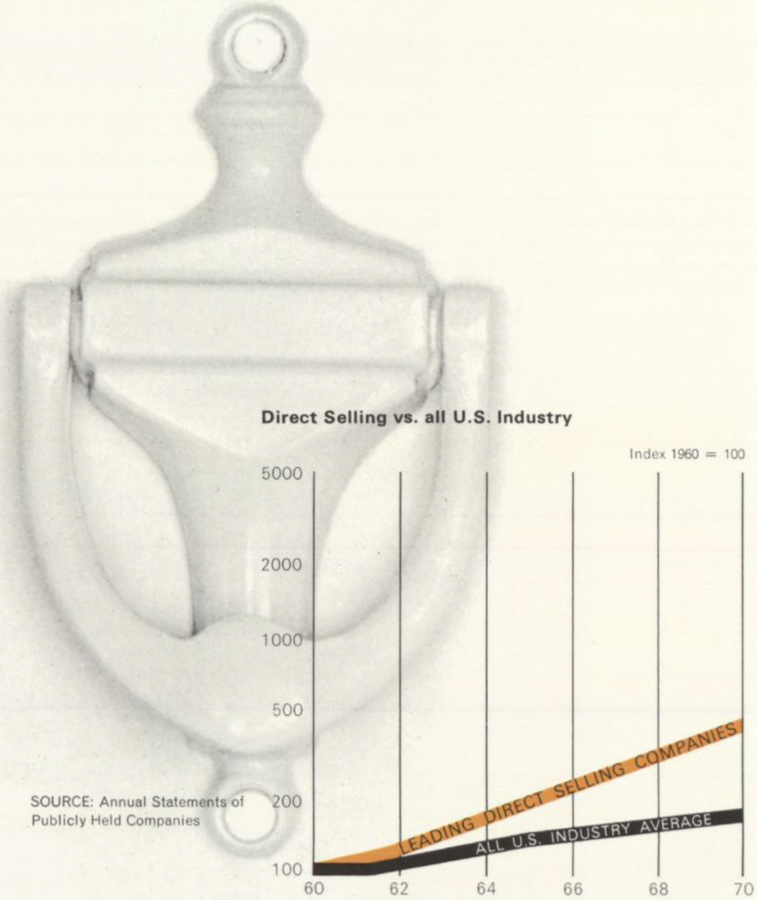
Freshness and flavor are locked in with the *Tupperware* seal. It locks in flavor and freshness and locks out moisture and dryness. Containers are available in all sizes and stack neatly and compactly.

Tupperware for every food storage need

Belgium—Injection molding *Tupperware*



Belgium—Quality control laboratory



Direct Selling vs. all U.S. Industry

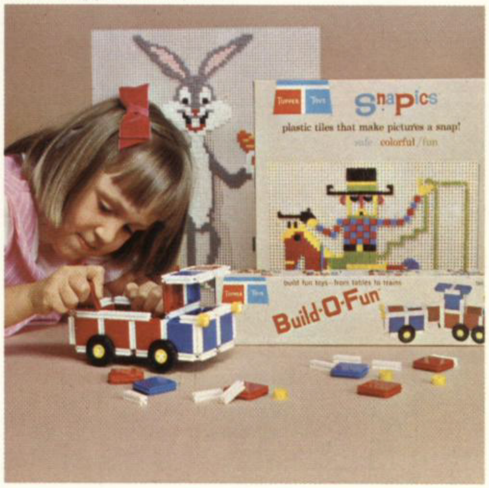
SOURCE: Annual Statements of Publicly Held Companies

food serving

Many *Tupperware* containers double as serving pieces because of their beauty and style. They allow homemakers to prepare ahead, store and serve . . . in one container. There is a *Tupperware* serving container for every occasion.

The most gracious table settings feature *Tupperware*

New in *Tupperware* toy line



SnaPics
plastic tiles that make pictures a snap!
safe / colorful / fun
Build-O-Fun

toys

The young set finds the two new injection molded plastic toys in the *Tupperware* toy line fun and exciting. Parents like them because they are educational and safe for the children. *SnaPics* and *Build-O-Fun* toys, sold only through the Home Party Plan, have achieved instant success.

Vanda Cosmetics

New direct-selling company

The newly-formed Vanda Cosmetics Company is an autonomous direct selling operation. In April, 1966, Vanda will begin merchandising an exclusive line of cosmetics direct to the consumer.

The initial line of 65 items emphasizes products which benefit by demonstration and includes several innovations. The research and development resources of Rexall and the direct selling experience of Tupperware are combined in this separate operation.

Unlike Tupperware's party plan, Vanda consultants sell through a personal demonstration in the individual consumer's home. Direct sales plans enjoy a substantial share of the cosmetic industry's three-billion dollar market. Distribution on the neighbor-to-neighbor plan is through distributors and their consultants.

Special Agent
cologne
Captiva
COLOGNE MIST
NET WEIGHT 3 OUNCES
CANTIQUE COLOGNE
Vanda
COSMETICS CO
ORLANDO, FLORIDA

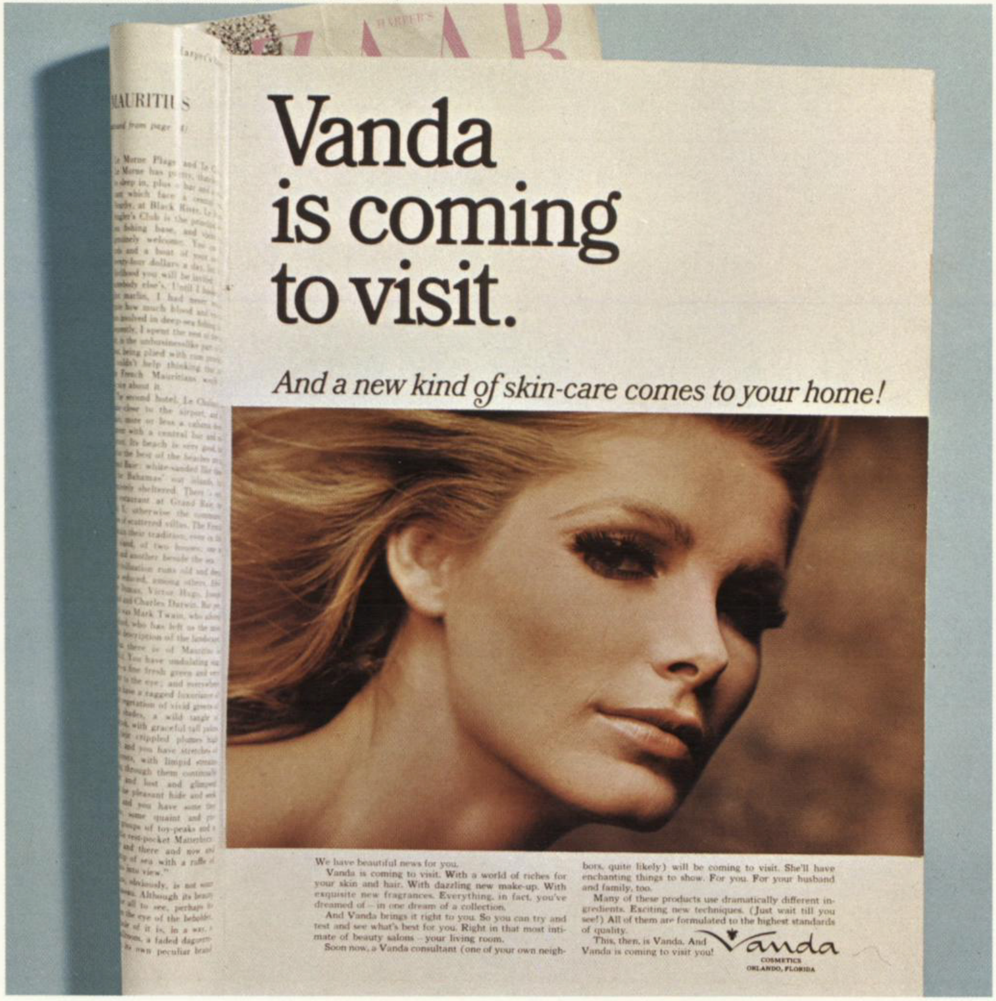
fragrances

Classic *Cantique* and captivating *Captiva* fragrance lines are designed for wide appeal and incorporate prestige perfume essences and new fragrance forms. Lilting *Call Me Pretty* fragrance is available in *"Ever-Vescent Action"** cologne cooler and unique cologne gel.

hair care

Vanda hair care products feature "controlled action" formulas. A choice of shampoos, combine with a special rinse, conditioner and hair dressing designed to work together for more beautiful hair.

National advertising announcing Vanda is coming to visit



Vanda is coming to visit.

And a new kind of skin-care comes to your home!

We have beautiful news for you.

Vanda is coming to visit. With a world of riches for your skin and hair. With dazzling new make-up. With exquisite new fragrances. Everything, in fact, you've dreamed of – in one dream of a collection.

And Vanda brings it right to you. So you can try and test and see what's best for you. Right in that most intimate of beauty salons – your living room.

Soon now, a Vanda consultant (one of your own neighbors, quite likely) will be coming to visit. She'll have enchanting things to show. For you. For your husband and family, too.

Many of these products use dramatically different ingredients. Exciting new techniques. (Just wait till you see!) All of them are formulated to the highest standards of quality.

This, then, is Vanda. And Vanda is coming to visit you!

Vanda
COSMETICS
ORLANDO, FLORIDA

skin care and makeup items

Sonique skin care line features exclusive *"Ever-Vescent Action"** foam, first cosmetic you can hear work. A unique "Keynote" color coordination concept highlights the makeup line.

*"Ever-Vescent Action"**—Cleanser-freshener foam

men's line

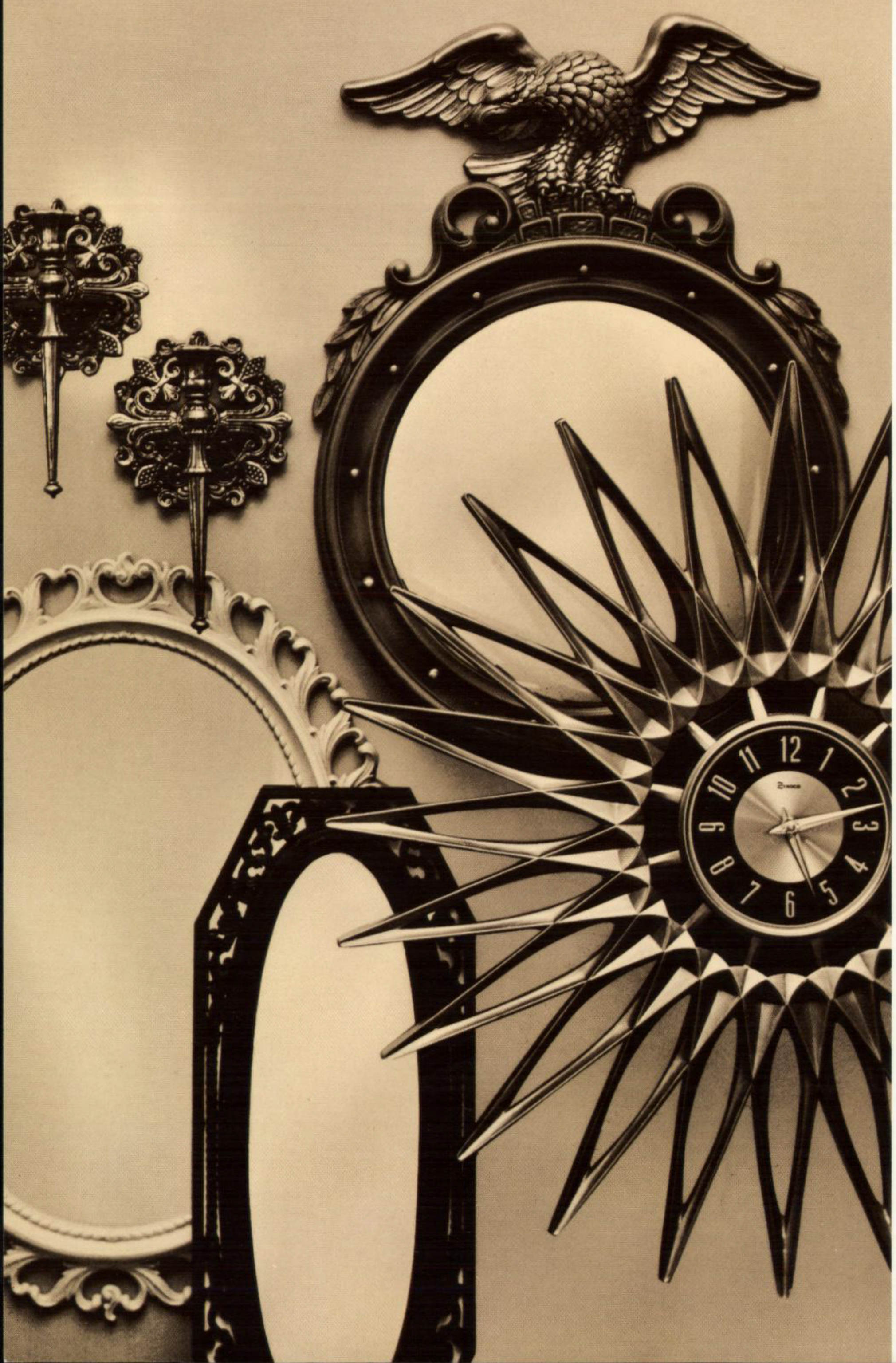
The *Sonique* men's line also incorporates *"Ever-Vescent Action."** The *"Special Agent"* men's line features unique "special agents" in each product.

family products

Under the *Vanda* name, a line of toiletries for the whole family features quality of product and packaging. These products are designed especially to be sold in the home and displayed in the home.

*patent pending

Home Decorations



Syroco is the world's largest producer of decorative wall accessories ranging from mirrors and wall plaques to sconces and clocks. Its Syracuse, New York, plant has been expanded to 350,000 square feet.

For 75 years, Syroco has combined the time-honored traditions of wood carving superior materials, modern production techniques, and unique hand applied color finishes. The result is objects of exquisite design in deep dimensional form at popular prices.

Homemakers are placing increasing emphasis on home improvement through interior decoration. This growing demand for fine home furnishings plus Syroco's continually broadening line provide unlimited opportunities in the retail, premium, furniture carving, industry and contract furnishing fields.

Four generations of Holstein management: Philip M., Richard E., Alex Jr. and Alex Sr.

premiums

Recognized leaders among business and industrial firms have augmented their premium programs with Syroco accessories. Syroco items are used in salesman and distributor incentive plans, dealer loads, self-liquidators, industry gifts and stamp plans.

decorative accessories

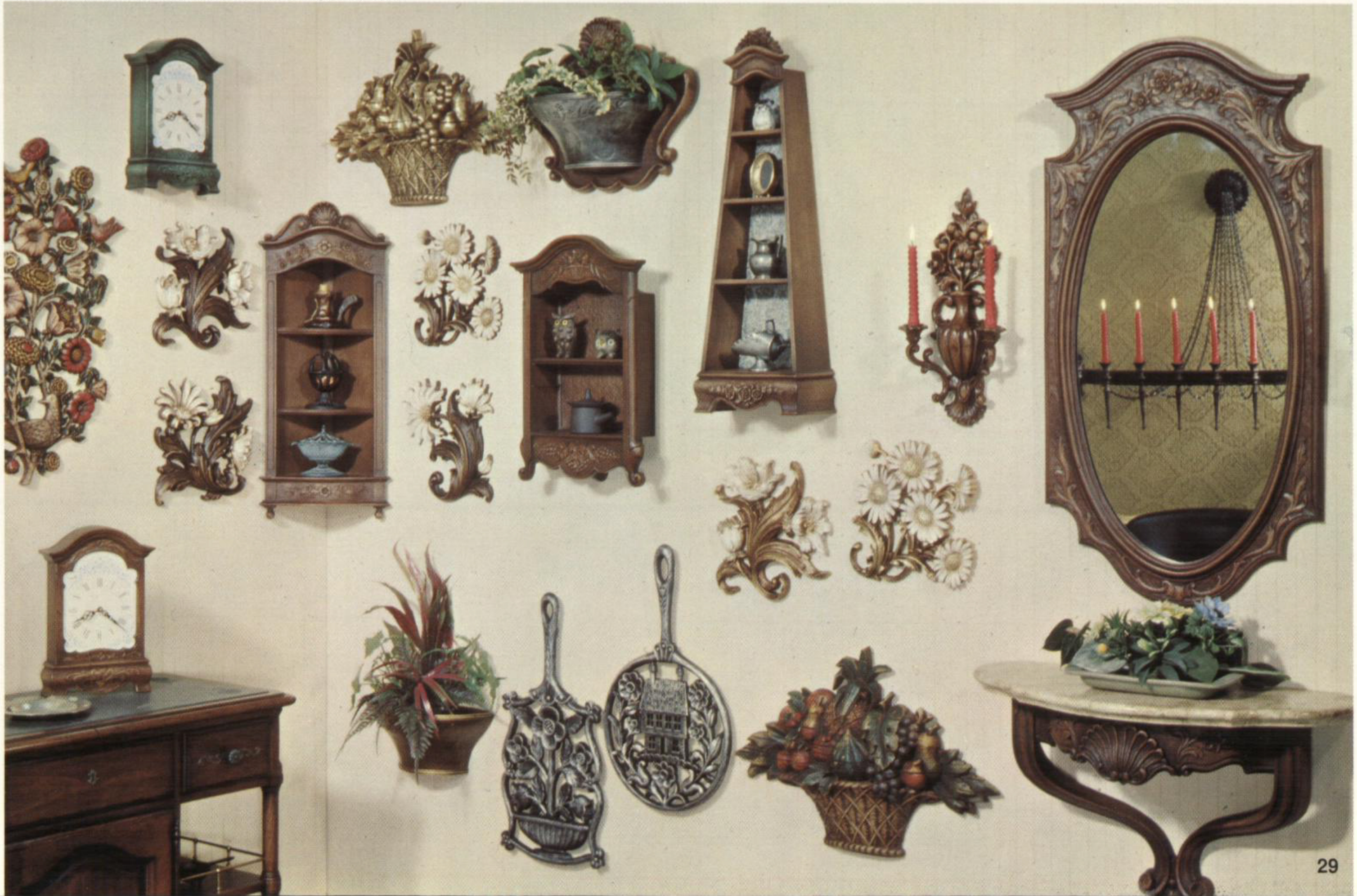
Over 250 Syroco items, sold through leading furniture department stores, include wall mirrors, plaques, console tables, decorative wall clocks, sconces, vanity mirrors, wall planters, lavaboes, wall brackets and table clocks. *Lady Syroco* coordinates feature 22 decorative items to enhance the bath and boudoir.

Syroco continues to be the country's largest producer of decorative ornamentation for furniture. Through Syroco's custom engineering or from their vast library of carvings, the furniture industry is provided with decorative components to enhance its products.

furniture carvings

The traditions of hand wood carving—the foundation for Syroco products

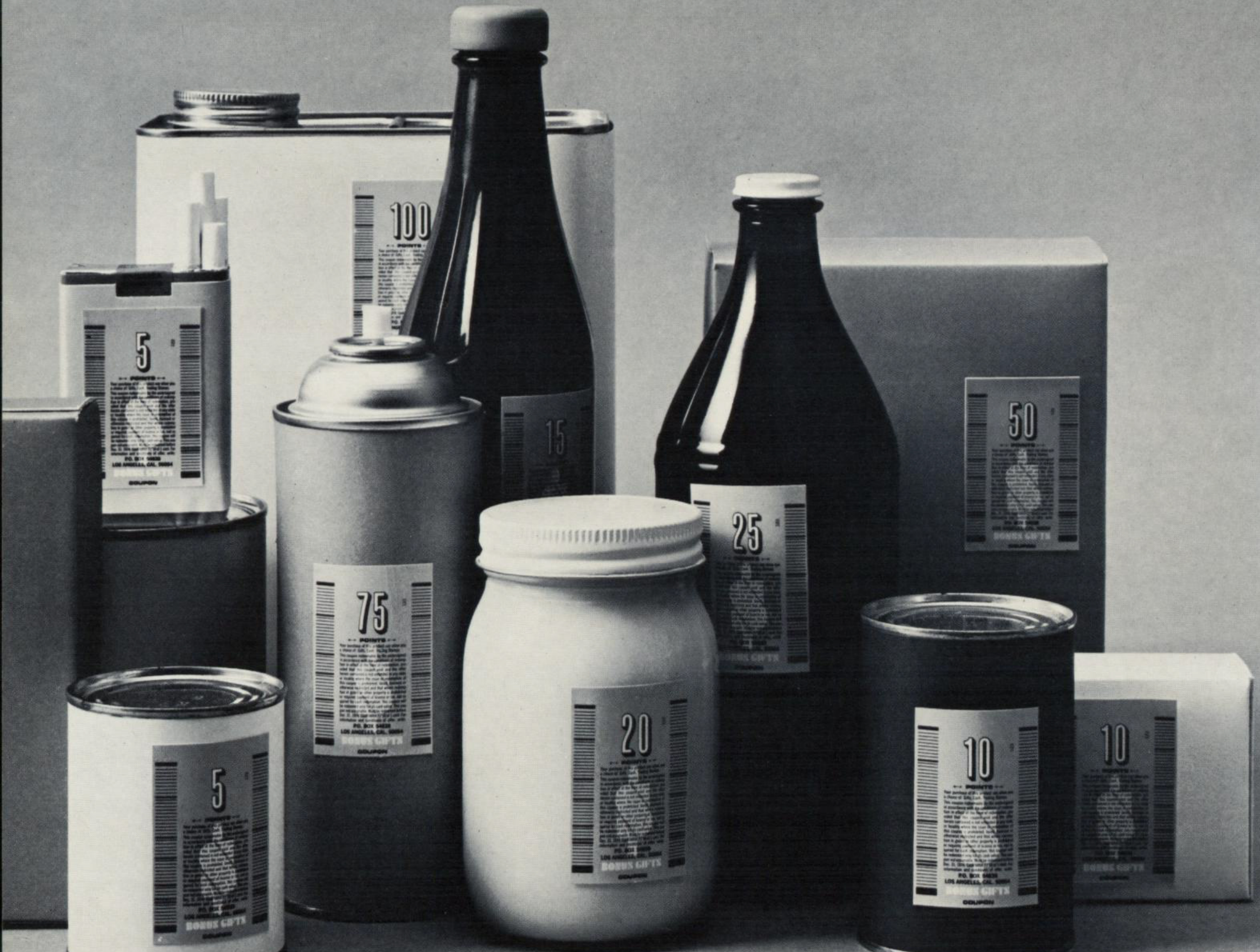
Decorative ornamentation for furniture manufacturers



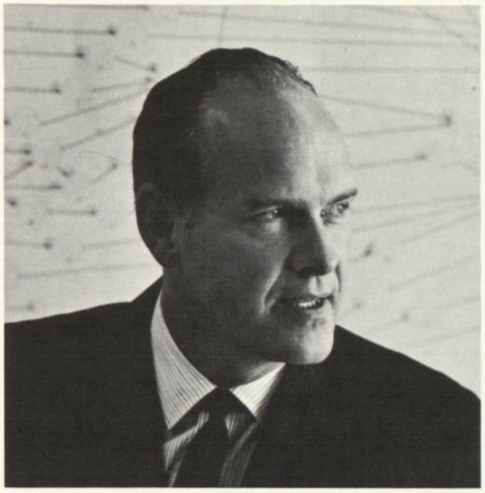
Old World charm from Syroco's new *Country Collection*

Service Industries

Bonus Gifts

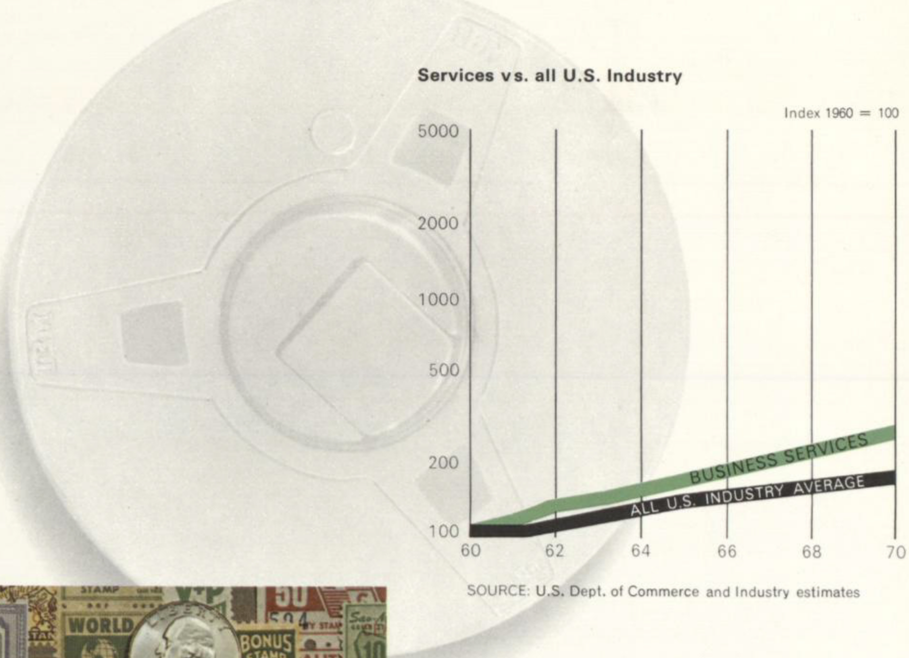

100
5
15
75
25
50
20
10
10
5
POINTS
BONUS GIFTS
COUPON

Service industries continue to account for an increasing share of the Gross National Product. Much of this growth is accounted for by business services, a field in which Rexall recently established a continuity gift program, Bonus Gifts. This consumer product couponing and marketing service functions independently of Rexall products or Rexall drug stores. Bonus Gifts' appeal to leading nationally-known food, household product and cosmetic companies is its unique ability to provide wider distribution and sustained product loyalty. This uniqueness stems from technologies developed for Rexall in data processing, high speed optical scanning and high volume paper handling.



RICHARD A. PARKER, President, Service Industries Group

Services vs. all U.S. Industry



SOURCE: U.S. Dept. of Commerce and Industry estimates

Bonus Gift coupons good for certificates for cash or trading stamps

10
POINTS
BONUS GIFTS
COUPON
MERCHANTS

bonus gifts

To obtain effective distribution, increased shares and continuing product loyalty, manufacturers place Rexall's Bonus Gifts coupons on or in their products. Consumers save these coupons, mail them to Bonus Gifts and receive in exchange a certificate good for their favorite cooperating trade stamp or certificate good for cash at their cooperating retailer. Coupons will be processed through high volume, high speed processing systems. With Bonus Gifts consumers can save for gifts faster, retailers receive added incentives, and manufacturers obtain loyal customers.

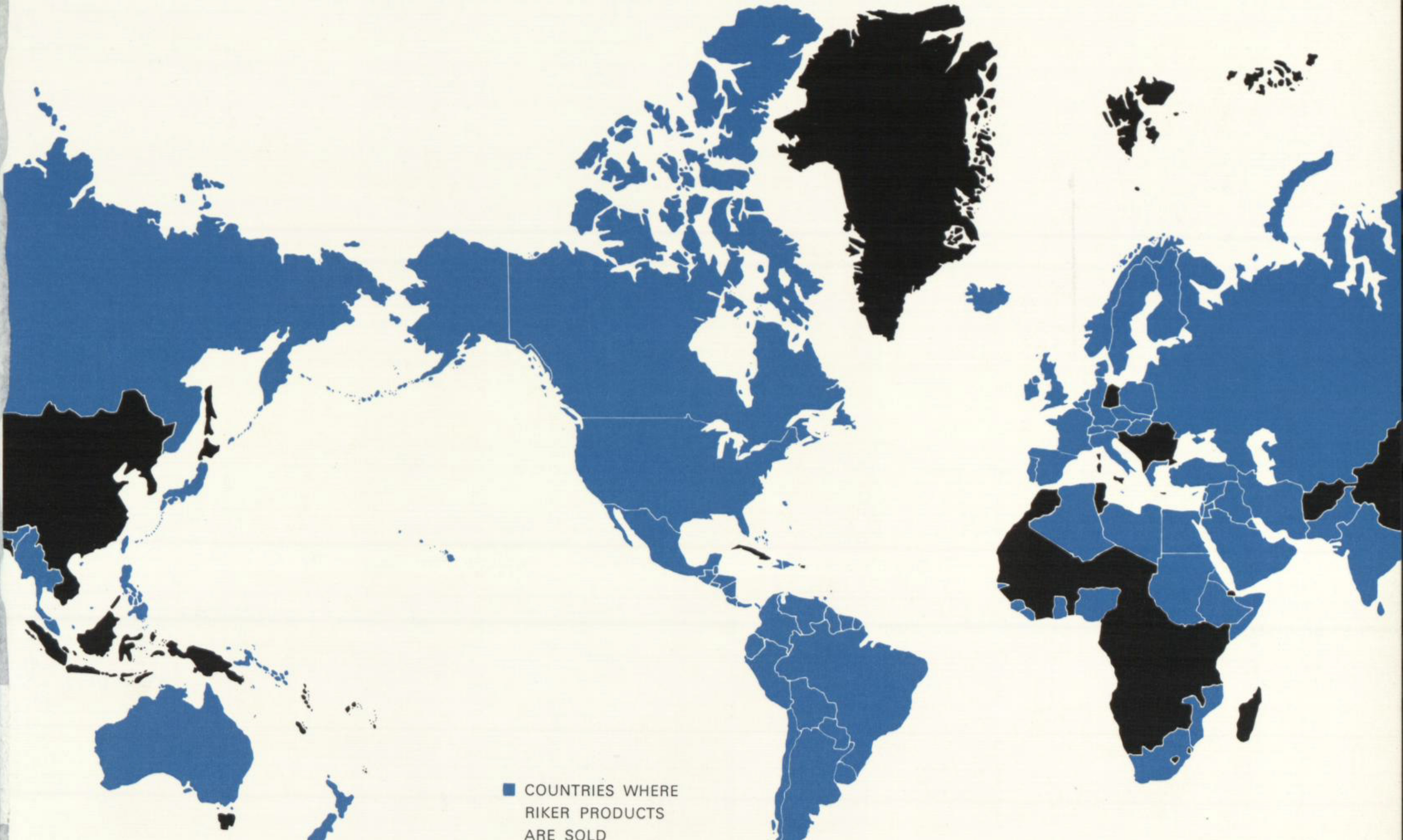
Riker Ethical Drugs

5cc
MEDIHALER-DUO
10cc
LIPO-HEP
HEPARIN SODIUM IN
AQUEOUS
U.S.P. UNITS
(Approx. 10 mg
RIKER LABORATORIES, INC. NOR
LIPO-HEPIN
HEPARIN SODIUM
AQUEOUS
U.S.P. UNI
(Approx 400 mg
LABORATORIES, INC. NORTH
5cc LIPO-HEPIN®
HEPARIN SODIUM INJECT
AQUEOUS
10,000 U.S.P. UNITS PER
(APPROX. 100 MG PER
RIKER LABORATORIES
NORTHRIDGE, CALIF
RIKER

GEORGE L. MAISON, M.D., Chairman, Ethical Drug Group

The activities of the 10 Riker Companies are aimed at serving specific needs of the worldwide specialty ethical pharmaceutical trade. Drug wholesalers in over 90 countries bring to the medical profession Riker products (all trademarked, many patented). Riker's 500 representatives communicate with physicians in over 40 countries. Riker Research Institutes in three countries continue to search for new drugs in the treatment of man's ailments. Continuing research provides products for future expansion of the Riker investment.

A pictorial study of Riker in Loughborough, and Welwyn Garden City, England, follows.



bronchlytics

To relax spasm in the bronchial tree — *Medihaler,* the world's first self-powered aerosol for inhalation therapy.

skeletal antispasmodics

To relax spasm in muscles of trunk and limbs — *Norflex,* which signifies the power to relax by action on indirect brain control mechanisms without weakening the power of muscles not in spasm.

hypotensives

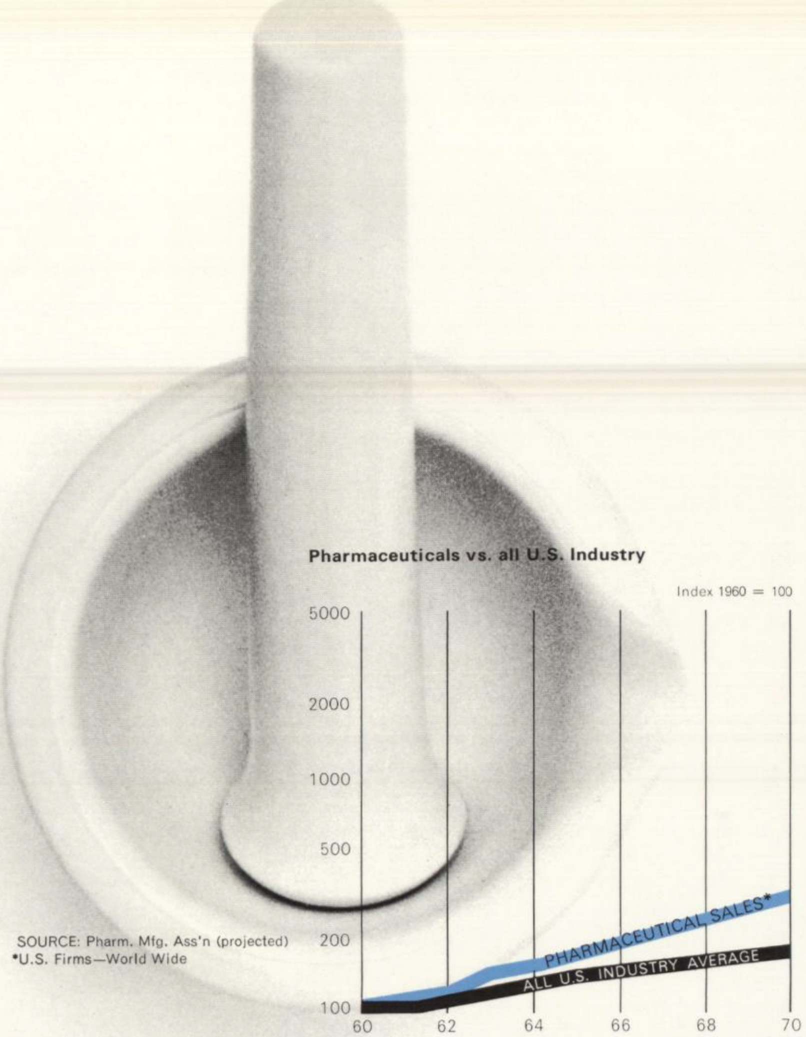
To lower excessive blood pressure — *Rauwiloid, Veriloid* and *Thiaver,** Riker's earliest products, based on natural plant substances.

appetite suppressants

Aids to slimming — *Durophet** and *Duromine** signify prolonged gentle action low in side effects.

analgesics

Broad spectrum pain relievers — *Norgesic,* which signifies effectiveness often permitting the physician to avoid use of narcotics.



SOURCE: Pharm. Mfg. Ass'n (projected)
*U.S. Firms—World Wide

Loughborough—Sterile filling of aerosols for export

Rikospray
ANTIBIOTIC
VAIKUTTAA PAIKALLISESTI
FÖR LOKALBEHANDLING
Riker
RIKER LABORATORIES
LOUGHBOROUGH ENGLAND

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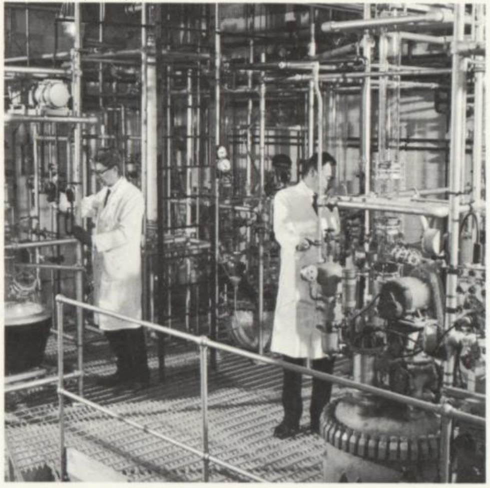
*Not available in U.S.A.

Riker in United Kingdom

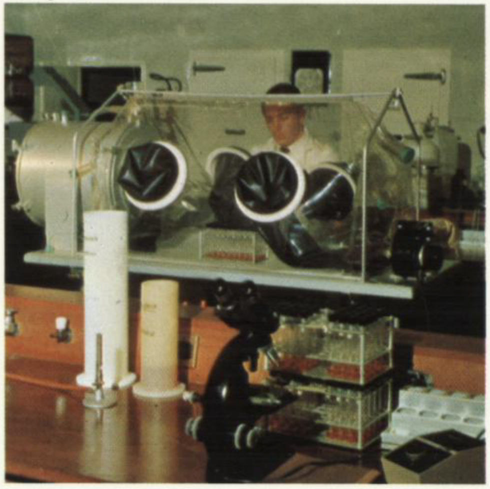
Chemical pilot plant



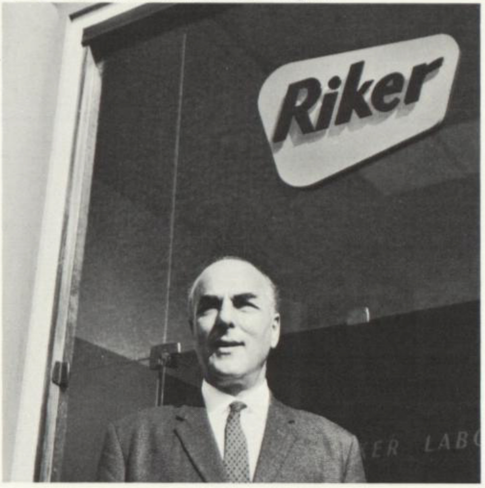
Official opening of new research facilities—Messrs. John Lumley, Managing Director; Prof. W. D. M. Patton, Oxford; Richard Marsh, Member of Parliament; Justin Dart.

THESE LABORATORIES WERE OFFICIALLY OPENED
BY
RICHARD W. MARSH, M.P.
JOINT PARLIAMENTARY SECRETARY
TO THE MINISTRY OF TECHNOLOGY

Biological research



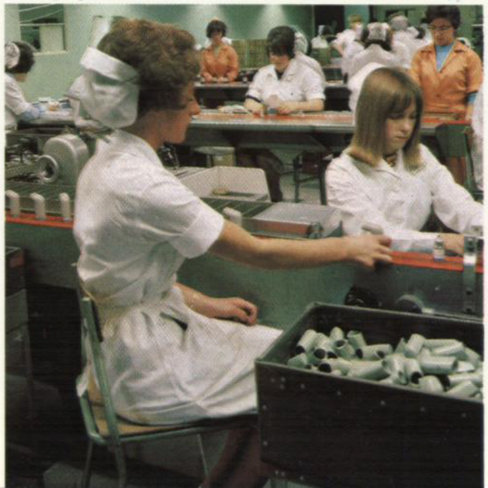
Dr. E. Glaser—Research Director—England



Quality control in its chemical phase

Quitting time—Loughborough administration

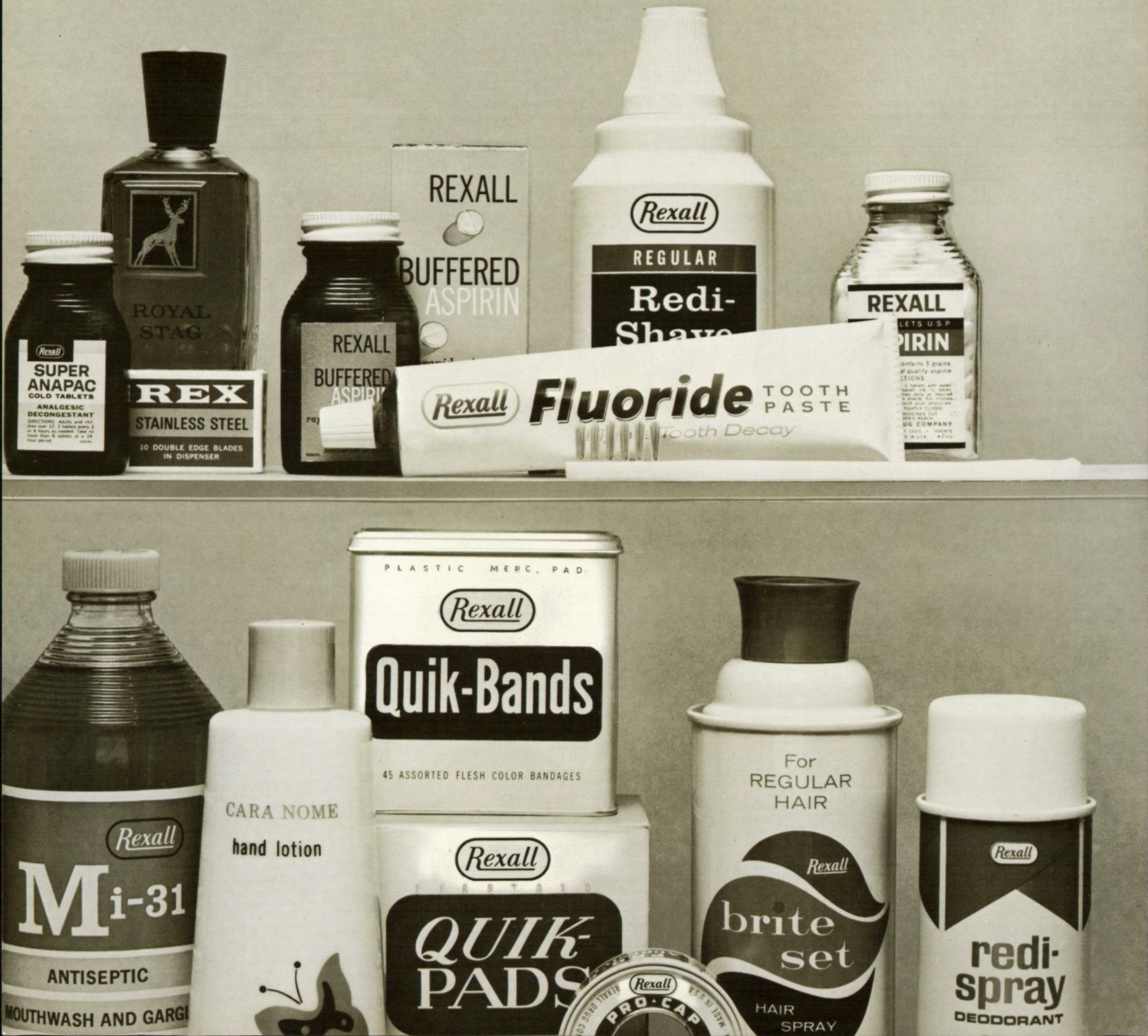
Packaging *Medihalers*



Loughborough manufacturing

Rexall Drug Products

U.S.A.—International


ROYAL STAG
Rexall
SUPER ANAPAC
COLD TABLETS
ANALGESIC DECONGESTANT
REX
STAINLESS STEEL
10 DOUBLE EDGE BLADES IN DISPENSER
REXALL BUFFERED ASPIRIN
REXALL BUFFERED ASPIRIN
Rexall
REGULAR
Redi-Shave
REXALL
ASPIRIN
Rexall Fluoride TOOTH PASTE
Tooth Decay
PLASTIC MERC. PAD
Rexall
Quik-Bands
45 ASSORTED FLESH COLOR BANDAGES
Rexall
Mi-31
ANTISEPTIC
MOUTHWASH AND GARG
CARA NOME
hand lotion
Rexall
QUIK-PADS
Rexall
PRO-CAP
For REGULAR HAIR
Rexall
brite set
HAIR SPRAY
Rexall
redi-spray
DEODORANT

In the U.S.A. Rexall's manufacturing facilities provide over 3000 medicines, vitamins, cosmetics and related products to the 10,500 independent Rexall-franchised druggists.

Storewide sales events such as the 1¢ Sale offering outstanding consumer values, supported by saturation advertising, contributed substantially to increased volume and profit.

The most advanced type of coast-to-coast data processing system is being installed to achieve better service and reduced inventories. A new mass market plan of merchandising high-usage commodity products was introduced allowing the Rexall druggist to compete on an everyday basis with discounters. This new program will be expanded further in 1966.

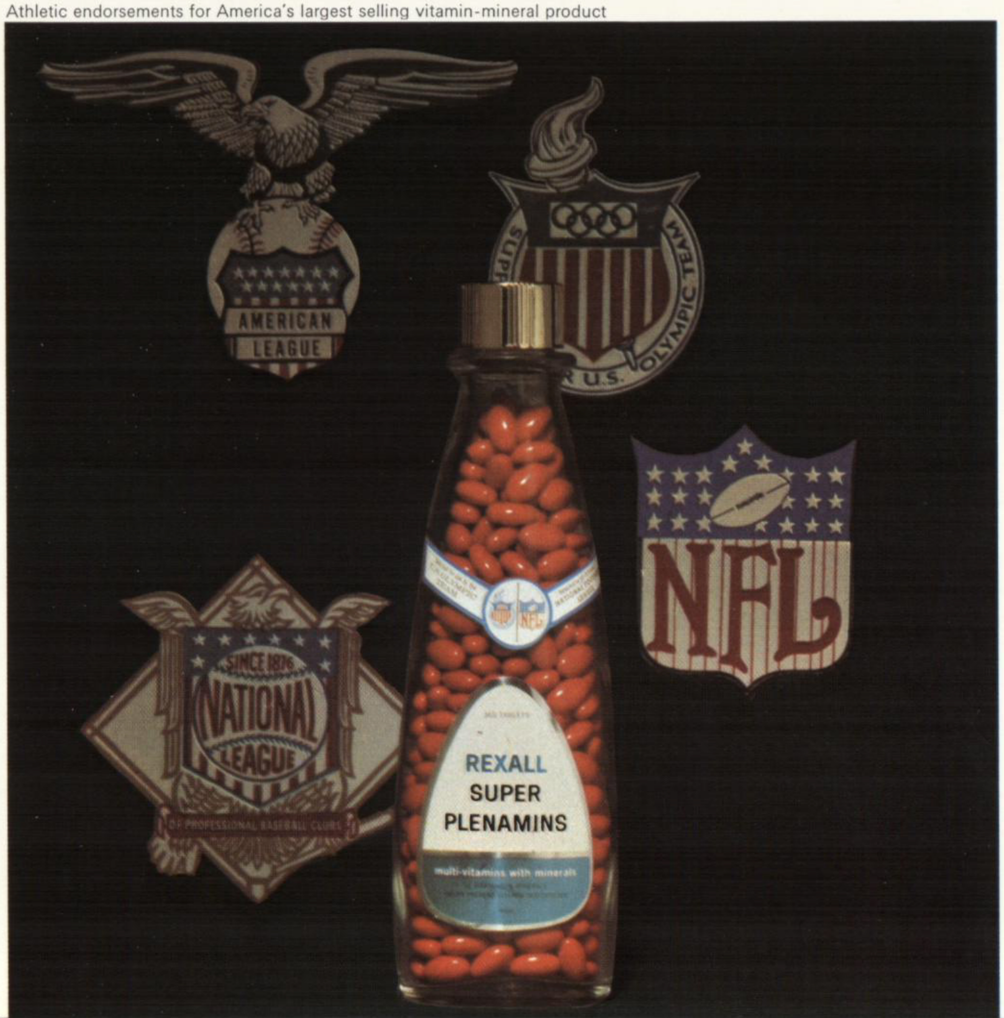
In Canada, 1500 Rexall franchises effectively use the latest drug retailing and promotional methods. In other nations, however, there is a universal need for those promotionally oriented drug store merchandising techniques pioneered and proven by Rexall in the U.S. and Canada.

We are in the process of adopting these techniques, country by country, abroad. From our bases in the United Kingdom and Africa we have successfully tested these concepts. After careful market analysis and in-store research Rexall is currently selecting more worldwide test markets. Proprietary drug needs are the same the world over, and Rexall's goal is to serve these needs.

EDWIN L. RAMSEY, General Manager, Rexall, U.S.A.

JOHN BOWLES, Chairman, Rexall, International

Athletic endorsements for America's largest selling vitamin-mineral product


AMERICAN LEAGUE
OUR U.S. OLYMPIC TEAM
NFL
SINCE 1876 NATIONAL LEAGUE OF PROFESSIONAL BASEBALL CLUBS
REXALL SUPER PLENAMINS
multi-vitamins with minerals

vitamins

Super Plenamins continues to be America's largest selling vitamin-mineral product. Already selected for use by the U.S. Olympic team, *Super Plenamins* was chosen in 1965 as the training table vitamin for all 14 National Football League teams. 1966 finds the product favored by trainers of all the baseball teams in both the National and American Leagues.

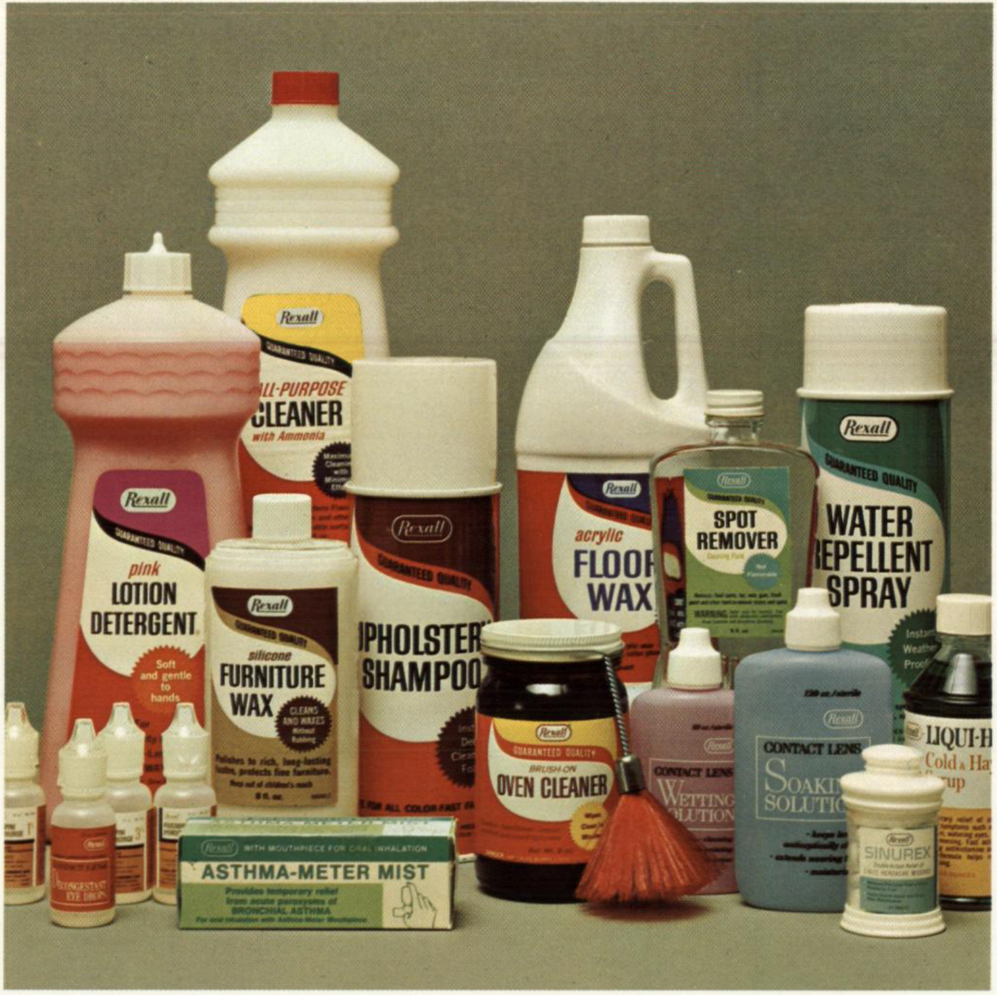
drug products

New product introductions in 1965 included contact lens preparations, *Sinurex* for sinus headaches, *Aero-Meter Asthma Spray, Codurex* and *Pre-Codurex* to relieve menstrual tension and pain. Rexall's popular line of guaranteed-quality household products was increased by the addition of several new products.

sundries

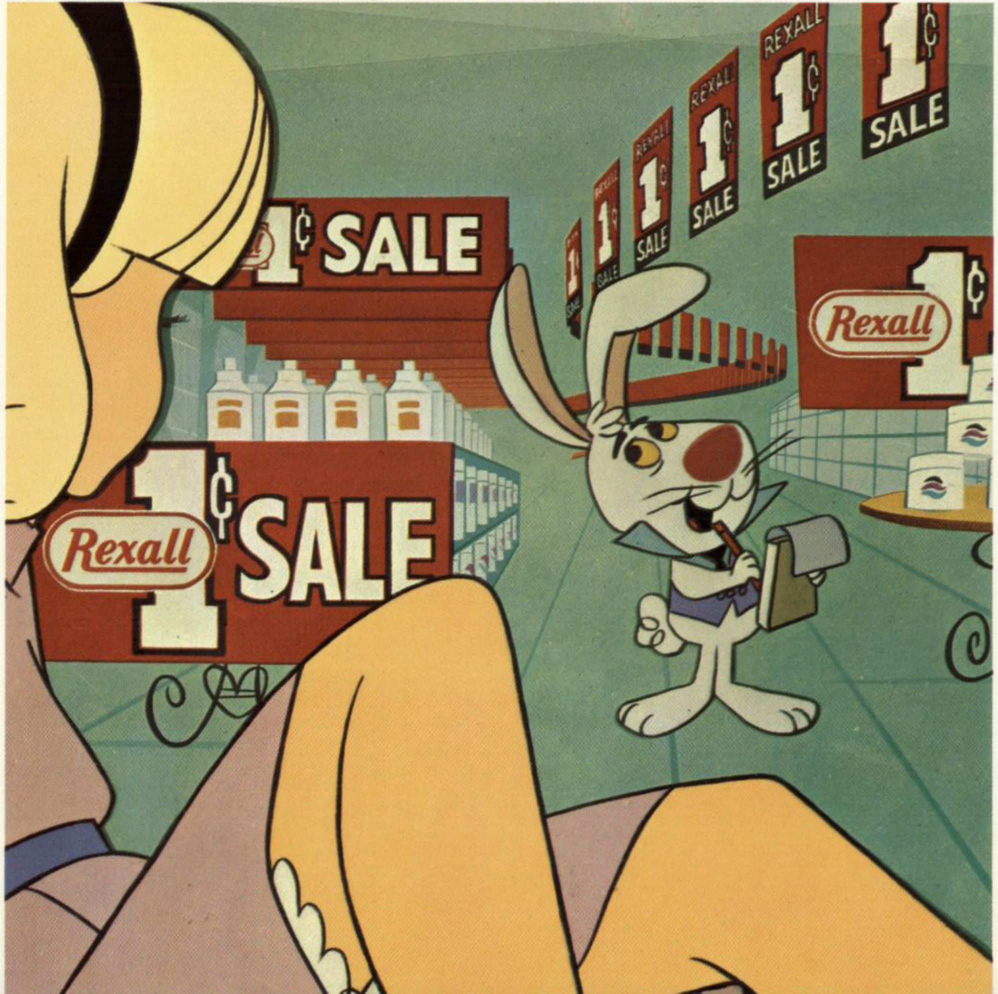
Rexall's sundry business continued to grow during 1965. Rexall druggists purchased their holiday gift merchandise from an expanded line at twenty full-line hotel showings, resulting in a record-breaking Christmas sale.

New Rexall drug and household products



Rexall
ALL-PURPOSE CLEANER with Ammonia
pink LOTION DETERGENT
silicone FURNITURE WAX
UPHOLSTERY SHAMPOO
acrylic FLOOR WAX
SPOT REMOVER
WATER REPELLENT SPRAY
BRUSH-ON OVEN CLEANER
CONTACT LENS WETTING SOLUTION
CONTACT LENS SOAKING SOLUTION
LIQUI-H Cold & Hay Syrup
SINUREX
DECONGESTANT EYE DROPS
ASTHMA-METER MIST

"Alice in Wonderland" TV commercial featuring Alice



REXALL 1¢ SALE
1¢ SALE
Rexall 1¢
Rexall 1¢ SALE

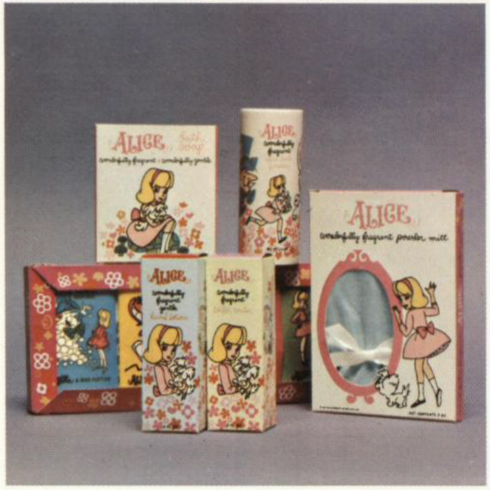
New packaging for men's line

GOLDEN SOVEREIGN
GOLDEN SOVEREIGN
GOLDEN SOVEREIGN
GOLDEN SOVEREIGN
COLOGNE · AEROSOL SHAVE CREAM · AFTER SHAVE

The "Lunar Look" in Rexall cosmetics

Rexall turns on The Lunar Look

New *Alice* products introduced on TV special

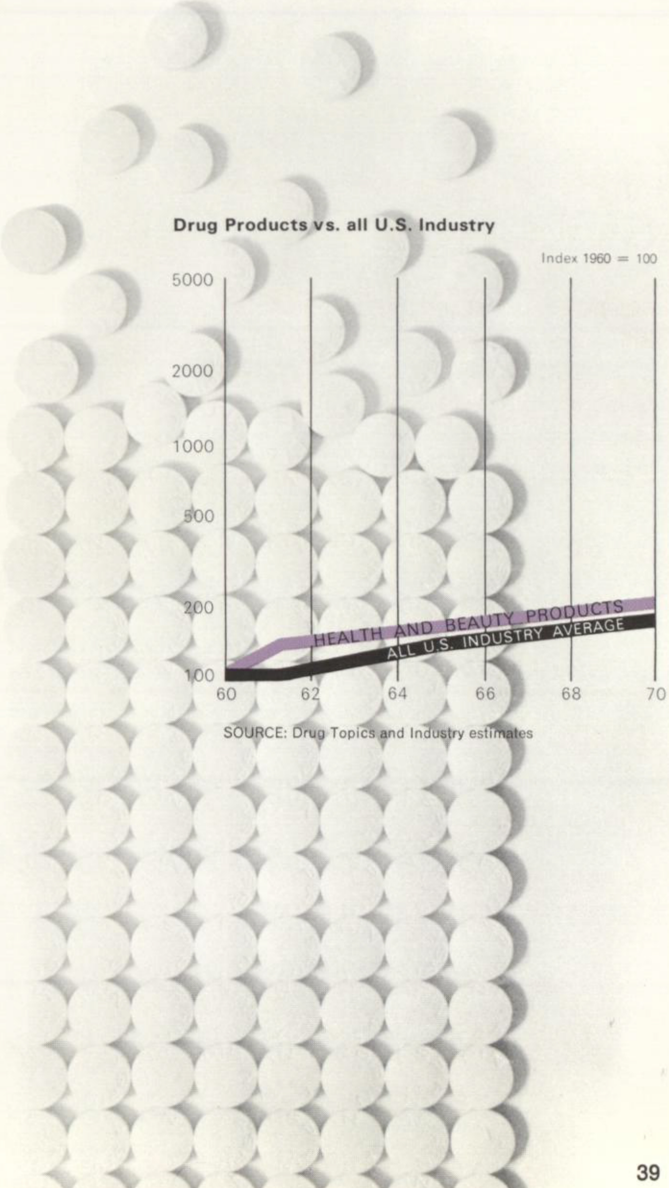

ALICE
ALICE
ALICE wonderfully fragrant powder mitt
ALICE
ALICE

"alice in wonderland" on TV

Rexall will launch its 1966 Spring 1¢ Sale with the new Hanna-Barbera animated musical "Alice in Wonderland," an hour-long colorcast over the ABC-TV Network on March 30 at 8:00 P.M. E.S.T. Alice's own line of cosmetics for young girls, an exclusive for Rexall, will be introduced.

cosmetics

Rexall's cosmetic program moved ahead again as the result of a successful nationally-advertised Spring event. *Golden Sovereign* — a new dramatically-packaged, bold fragrance men's line was introduced in June.


Drug Products vs. all U.S. Industry

SOURCE: Drug Topics and Industry estimates

Liggett-Drug King

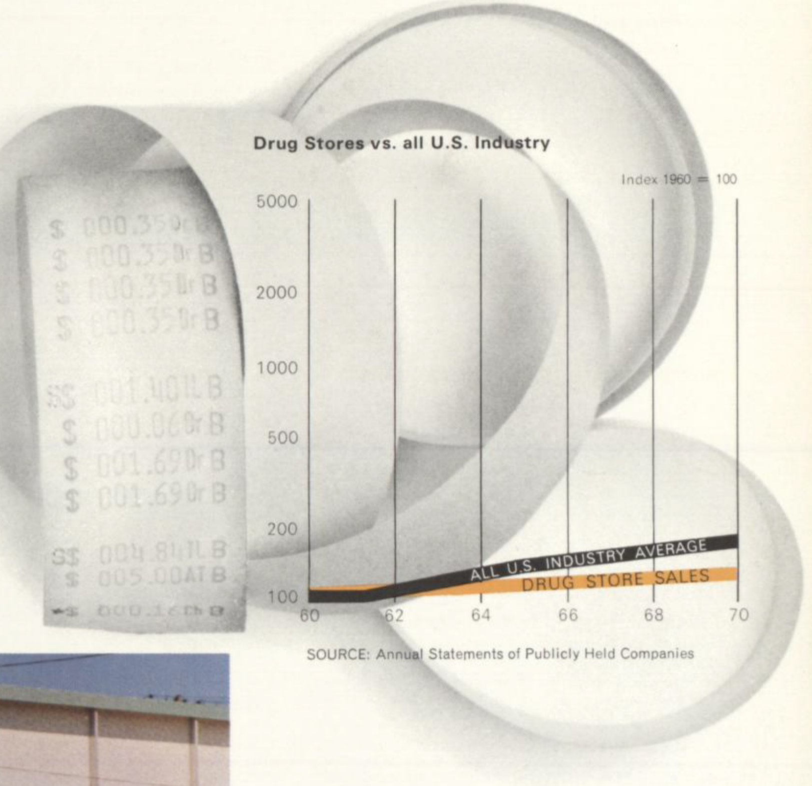
Rexall Squ
FINE COSMETICS
Candies
DRUGS
Rexall Square
DRUGS
THE STANDARD OF QUALITY
Rexall
THROUGHOUT THE WORLD

ROBERT T. BEATTIE, President, Retail Drug Store Group

company owned stores

74 East Coast Liggett, 19 West Coast Drug King stores, plus 10 Gales coffee shops, posted new records for earnings and return on invested capital. New locations are being negotiated and a 50% warehouse expansion is underway in Jacksonville, Florida.

Drug Stores vs. all U.S. Industry



SOURCE: Annual Statements of Publicly Held Companies

agency stores

A voluntary group of 323 independently owned retail stores, operating as Liggett agency division stores, benefit from the identity of Liggett and Rexall and enjoy the advantages of Liggett's buying, warehousing, and promotional activities.

Liggett—Coral Gables, Florida

LIGGETT
DRUGS
Rexall

SAM C. PRUSKY, President, Rexall Realty Corp.

store financing

Rexall Realty Corporation provides pharmacists with opportunities to own Rexall franchises in important shopping centers. Since the program was initiated, 130 such Rexall operations have been established. Services from site selection to operating supervision are provided.

Statement of Earnings and Retained Earnings

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1965	*1964* *(restated)*
INCOME:		
Sales, less returns, allowances and discounts	$360,171,000	$312,623,000
Gain on sale of Blum's real estate	1,049,000	
Gain on sale of capital stock of Consolidated Thermoplastics Company		2,338,000
Other income	2,328,000	1,525,000
	363,548,000	316,486,000
COSTS AND EXPENSES:		
Cost of goods sold, excluding depreciation	191,507,000	169,591,000
Selling, distribution, promotional and administrative expenses	116,612,000	101,236,000
Depreciation	10,082,000	8,334,000
Interest on debt	3,767,000	3,628,000
	321,968,000	282,789,000
EARNINGS BEFORE INCOME TAXES	41,580,000	33,697,000
PROVISION FOR INCOME TAXES:		
United States	11,600,000	10,000,000
Foreign	5,700,000	4,500,000
	17,300,000	14,500,000
NET EARNINGS FOR THE YEAR	24,280,000	19,197,000
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	67,498,000	56,617,000
	91,778,000	75,814,000
DIVIDENDS:		
Cash —		
Rexall Drug and Chemical Company, 30¢ per share in 1965 and 26¼¢ per share in 1964	3,095,000	2,528,000
Ralph Wilson Plastics, Inc., prior to acquisition	736,000	181,000
Common Stock, 3%, 294,201 shares at $28.875 per share paid in March 1965 and 280,350 shares at $20.00 per share paid in March 1964	8,495,000	5,607,000
	12,326,000	8,316,000
RETAINED EARNINGS AT THE END OF THE YEAR	$ 79,452,000	$ 67,498,000

Statement of Capital in Excess of Par Value

	1965	*1964* *(restated)*
AT THE BEGINNING OF THE YEAR	$ 52,150,000	$ 46,488,000
Excess of fair value over par value of Common Stock issued as stock dividends	8,127,000	5,257,000
Other credits, principally the excess of option prices over par value of Common Stock options exercised	1,602,000	405,000
AT THE END OF THE YEAR	$ 61,879,000	$ 52,150,000

See accompanying notes to financial statements.

Statement of Financial Position *December 31, 1965 and 1964.*

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1965	1964 (restated)
CURRENT ASSETS:		
Cash and short term securities	$ 26,878,000	$ 31,464,000
Accounts and notes receivable	51,354,000	51,484,000
Inventories	75,052,000	68,212,000
Prepaid expenses	2,299,000	1,694,000
TOTAL CURRENT ASSETS	155,583,000	152,854,000
CURRENT LIABILITIES:		
Accounts payable	23,328,000	18,904,000
Accrued compensation and taxes thereon	7,855,000	6,688,000
Other accrued expenses	12,005,000	12,467,000
Current instalments of long term debt	1,032,000	4,420,000
Estimated United States and foreign income taxes	12,478,000	9,223,000
TOTAL CURRENT LIABILITIES	56,698,000	51,702,000
WORKING CAPITAL	98,885,000	101,152,000
PROPERTIES, INVESTMENTS AND OTHER ASSETS:		
Properties	104,166,000	75,760,000
Investment in United States subsidiaries not consolidated, at cost less reserve	2,380,000	2,778,000
Other receivables, deposits and investments, less reserve	6,454,000	8,250,000
Intangibles	10,586,000	10,885,000
Deferred charges	1,033,000	965,000
	124,619,000	98,638,000
WORKING CAPITAL AND ALL OTHER ASSETS	223,504,000	199,790,000
LONG TERM DEBT AND OTHER DEFERRED LIABILITIES:		
Long term debt, less current instalments	58,785,000	58,182,000
Deferred United States and foreign income taxes	9,000,000	8,100,000
	67,785,000	66,282,000
TOTAL NET ASSETS REPRESENTING STOCKHOLDERS' EQUITY	$155,719,000	$133,508,000
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK OF REXALL DRUG AND CHEMICAL COMPANY —		
Preferred, par value $5.00 each		
Authorized, 3,000,000 shares, none of which has been issued		
Common, par value $1.25 each		
Authorized, 25,000,000 shares		
Issued, 11,598,493 shares in 1965 and 11,176,162 shares in 1964	$ 14,498,000	$ 13,970,000
CAPITAL IN EXCESS OF PAR VALUE PER ACCOMPANYING STATEMENT	61,879,000	52,150,000
RETAINED EARNINGS PER ACCOMPANYING STATEMENT	79,452,000	67,498,000
(Of the 1965 amount, $14,072,000 is reserved for a 3% Common Stock dividend of 325,370 shares payable March 4, 1966.)		
	155,829,000	133,618,000
Less cost of reacquired Common Stock, 5,130 shares	110,000	110,000
TOTAL STOCKHOLDERS' EQUITY	$155,719,000	$133,508,000

See accompanying notes to financial statements.

Notes to Financial Statements

Rexall Drug and Chemical Company and its consolidated subsidiaries

DETAILS OF STATEMENT OF FINANCIAL POSITION

	1965	*1964 (restated)*
Accounts and notes receivable:		
Trade, including subsidiaries not consolidated	$ 48,202,000	$ 43,583,000
Others	5,007,000	9,612,000
	53,209,000	53,195,000
Less reserve	1,855,000	1,711,000
	$ 51,354,000	$ 51,484,000
Inventories, at lower of cost (principally fifo or average) or market:		
Raw materials and supplies	$ 16,763,000	$ 14,499,000
Work in process	6,679,000	5,499,000
Finished merchandise	51,610,000	48,214,000
	$ 75,052,000	$ 68,212,000
Properties, at cost:		
Land	$ 3,438,000	$ 3,286,000
Buildings and building fixtures	31,608,000	25,141,000
Machinery and equipment	94,402,000	79,729,000
Store fixtures, leaseholds and improvements	8,040,000	7,635,000
Construction in progress	17,450,000	2,323,000
	154,938,000	118,114,000
Less accumulated depreciation	50,772,000	42,354,000
	$104,166,000	$ 75,760,000
Intangibles, at cost less amortization:		
Excess of investments in businesses purchased over net assets acquired	$ 7,818,000	$ 7,508,000
Patents, licenses and trademarks, etc.	2,768,000	3,377,000
	$ 10,586,000	$ 10,885,000
Long term debt, less current instalments:		
Unsecured notes, 4.042% to 5.565%, due in instalments 1970 to 1987	$ 53,759,000	$ 51,415,000
Real estate and other obligations	5,026,000	6,767,000
	$ 58,785,000	$ 58,182,000

BASIS OF CONSOLIDATION

All significant subsidiaries are consolidated. Minority interests in ownership and earnings of companies consolidated are relatively insignificant and have not been shown separately in the accompanying statements. Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. The unrealized profit or loss resulting from the translations of foreign currencies is included in operations and was not significant in amount.

A summary of assets and liabilities (excluding intercompany accounts) of foreign subsidiaries at December 31, 1965 follows:

Current assets	$36,245,000
Current liabilities	13,780,000
Working capital	22,465,000
Properties and all other assets	27,832,000
Working capital and all other assets	50,297,000
Long term debt and other deferred liabilities	6,178,000
Net assets of foreign subsidiaries in consolidation	$44,119,000

Net sales from all operations outside the United States were $72,303,000. Foreign operations contributed about 30% of consolidated net earnings for 1965. Dividends of approximately $700,000 were received from foreign subsidiaries during the year. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

Since December 31, 1964 Rexall acquired the net assets or capital stock of the following businesses in exchange for newly issued shares of Rexall Common Stock as indicated:

Acquired in 1965 —
- Thompson Industries, Inc. — 70,312 shares, plus possible additional shares based upon net earnings of certain future years
- Wilson Products companies—170,000 shares
- Syracuse Ornamental Co., Inc. — 380,000 shares

Acquired January 25, 1966 —
- Ralph Wilson Plastics, Inc. — 747,780 shares

These acquisitions have been accounted for as "poolings of interests" and accordingly the accompanying consolidated statements include the accounts of all of these businesses as at December 31, 1965 and for the year then ended. Comparative 1964 amounts have been restated to include these pooled companies.

The Company is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

INCOME TAXES

Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. In connection with such claims, waivers have been executed and are still outstanding as to certain of such years. While final action has not yet been taken on the claims, the Treasury Department has made protective assessments of additional income taxes for 1942, 1943 and 1944 based principally upon substantial reductions claimed in the amount of income subject to excess profits taxes in those years. If the proposed adjustments giving rise to the protective assessments are approved, the reduction in excess profits taxes will substantially exceed the related income tax assessed, whereas disapproval of the proposed adjustments would substantially eliminate the basis for the additional income tax assessments. No amounts have been included in the financial statements with respect to these claims or the protective assessments.

Rexall deducts accelerated and guideline depreciation on certain properties for tax purposes. Further, certain process development costs are deducted for tax purposes as incurred. Provision is made currently for taxes which will become payable in future years when book amortization and depreciation on a straight line basis will exceed amounts allowable for tax purposes. Provision for such future taxes amounted to $650,000 in 1965. The increase applicable to foreign taxes due after one year was $250,000.

Investment tax credits of $550,000 have been applied to reduce the 1965 tax provision.

LONG TERM DEBT

During 1965 Rexall executed a Modification Agreement with lenders whereby instalment payments of principal due after November 29, 1965 on the Unsecured Notes were deferred so that no further instalments will be due until 1970. Among other things the Agreement also changed interest rates on the Unsecured Notes to 4.042%-5.565%.

Total principal payments due in the five years subsequent to December 31, 1965 on all long term debt are as follows: 1966 — $1,032,000; 1967 — $2,157,000; 1968 — $467,000; 1969 — $470,000; 1970 — $3,634,000. No contingent payments are required.

STOCK OPTIONS

Pursuant to a stock option plan as amended and approved by the stockholders and under other agreements, 825,325 shares of Rexall Common Stock are reserved for purchase by officers and employees under options granted or to be granted. Options are exercisable in equal annual instalments on a cumulative basis, with those granted prior to 1964 becoming exercisable during the second through the tenth years after date of grant and those granted subsequent to 1963 becoming exercisable during the second through the fifth years after date of grant. The option price is the market price of the stock on the date options are granted. Options for 233,871 shares were exercised prior to 1965. A summary of changes during 1965 follows:

	Options Outstanding	
	Shares	*Amount*
At beginning of year	812,111	$13,433,000
Adjustment for stock dividend	24,365	
Options granted	50,950	1,763,000
Options exercised	(124,430)	(1,667,000)
Options canceled	(43,021)	(771,000)
At end of year	719,975	$12,758,000

	Options Exercisable	
	Shares	*Amount*
At beginning of year	211,373	$3,577,000
Adjustment for stock dividend	6,341	
Options becoming exercisable	100,376	1,543,000
Options exercised	(124,430)	(1,667,000)
Options canceled	(179)	(4,000)
At end of year	193,481	$3,449,000

At December 31, 1965 options for 105,350 shares were available for granting. In February 1966 options for 18,300 shares for an aggregate amount of $809,000 were granted.

STOCKHOLDERS' EQUITY

Under agreements covering long term debt, $17,000,000 of the $79,452,000 of consolidated retained earnings at December 31, 1965 is not restricted as to payment of cash dividends. The agreements impose no restrictions on the payment of stock dividends.

On April 27, 1965 the stockholders approved an amendment to Rexall's Certificate of Incorporation authorizing the issuance of 3,000,000 shares of Preferred Stock with a par value of $5 per share. None has been issued.

COMMITMENTS AND CONTINGENCIES

Minimum annual lease rentals payable by Rexall under real estate, store fixture and transportation equipment leases in effect at December 31, 1965, before reduction for fixed annual sublease rentals receivable aggregating $2,498,000, are as follows:

Leases expiring in —	
1966 - 1970	$ 5,999,000
1971 - 1975	2,803,000
1976 - 1980	1,116,000
1981 - 1985	1,006,000
After 1985	425,000
	$11,349,000

Some leases provide for rentals based upon a percentage of sales and nearly all require additional payments for property taxes, insurance and maintenance. Some leases contain purchase options. Provision has been made for estimated lease losses on properties no longer operated.

Certain lawsuits have been filed against Rexall. In the opinion of counsel, none of these suits is likely to result in significant liability.

CAPITAL EXPENDITURES

It is estimated that capital expenditures for 1966 will be approximately $35,000,000.

INCENTIVE COMPENSATION

Under the formula incorporated in Rexall's 1962 stockholder approved Incentive Compensation Plan for key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 89 key employees $733,000 of the total of $1,538,000 available for 1965. Payment of $240,000 of the 1965 awards is deferred until future years.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Rexall, and certain special awards have been authorized for employees not participating in any plan. The above named committees awarded $1,336,000 to 408 persons in these categories. The total amount available under the plans, and inclusive of special awards, was $2,872,000. No principal officers or directors participate in these plans or special awards.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in 1965 consolidated earnings.

Opinion of Independent Accountants

Price Waterhouse & Co.

530 West Sixth Street
Los Angeles
February 28, 1966

To the Board of Directors of
Rexall Drug and Chemical Company

In our opinion, the accompanying statements of financial position, capital in excess of par value and earnings and retained earnings present fairly the financial position of Rexall Drug and Chemical Company and its consolidated subsidiaries at December 31, 1965 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Ten Year Financial Review

Rexall Drug and Chemical Company and its consolidated subsidiaries

(Dollar amounts in thousands, stock information relates to Common Stock)

FOR THE YEAR	1965	1964†	1963†
Net sales	360,171	312,623	285,801
Income taxes	17,300	14,500	13,174
Net earnings	24,280	19,197	13,795
Net earnings per share	2.11	1.68	1.22
Cash dividends	3,095	2,528	2,318
Cash dividends per share	.30	.26¼	.25
Stock dividends	3%	3%	3%
Cash flow**	36,069	29,294	23,941
Cash flow per share	3.13	2.56	2.12

AT YEAR END			
Working capital	98,885	101,152	89,366
Property and equipment (net)	104,166	75,760	66,742
Total assets	280,202	251,492	225,837
Long term debt	58,785	58,182	57,926
Deferred liabilities	9,000	8,100	7,200
Stockholders' equity	155,719	133,508	115,789
Shares of stock outstanding	11,593,363	11,465,120	11,282,203
Stockholders	26,769	23,262	22,217
Employees	18,493	14,094	13,730

1962†	1961†	1960†	1959	1958	1957	1956
281,218	265,250	253,449	227,016	182,371	167,567	155,633
9,119	10,130	9,440	8,400	5,300	4,600	4,600
7,771*	10,625	10,383	8,753	6,305	4,614	4,474
.69	.96	.98	.96	.78	.58	.54
2,247	2,130	2,002	1,841	1,640	1,633	1,678
.25	.25	.25	.25	.25	.25	.25
3%	3%	3%	3%			
18,616	18,070	15,706	12,315	8,757	6,663	6,288
1.65	1.62	1.48	1.36	1.08	.83	.76
85,623	74,133	72,736	57,470	55,146	50,475	46,200
59,487	57,544	35,934	33,081	26,015	20,162	18,207
213,823	199,521	165,101	135,865	119,735	97,083	90,968
61,104	53,590	39,996	29,931	31,161	24,354	21,434
5,000	3,150	950	450			
104,375	100,398	88,567	72,049	59,402	50,551	48,695
11,264,313	11,180,368	10,814,024	9,152,743	8,497,074	7,826,113	8,143,625
21,948	21,079	20,287	19,151	16,911	15,852	15,865
13,524	12,118	11,604	11,750	10,462	10,145	9,618

†Restated — see note to financial statements.

*Before special charge to retained earnings.

**Net earnings, plus depreciation and amortization and provision for deferred income taxes.

Net earnings per share is based upon the average number of shares outstanding during each year. The shares of stock outstanding and net earnings per share for 1964 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

Rexall Drug and Chemical Company

World Headquarters
Los Angeles, California

CHEMICALS

polyethylene, polypropylene, ethylene and propylene:

Rexall Chemical Company
Odessa, Texas**

petrochemical research:

Rexall Chemical Company
Paramus, New Jersey

color concentrates:

Wilson Products Company
Neshanic, New Jersey
Assesse, Belgium

polystyrene:

Rexall Chemical Company
Holyoke, Massachusetts
Santa Ana, California

Rexcel
Ludlow, Massachusetts

oriented sheet:

Rexcel
Ludlow, Massachusetts

sheet styrene containers:

Rexcel
Ludlow, Massachusetts
Santa Ana, California

ABS (acrylonitrile-butadiene-styrene):

Rexall Chemical Company
Joliet, Illinois*

foam containers:

Thompson Industries Company, Inc.
Phoenix, Arizona
Stone Mountain, Georgia
Monrovia, California
Red Bank, New Jersey
South San Francisco, California
New Shrewsbury, New Jersey
Solon, Ohio
Alexandria, Virginia

fine chemicals:

Rexall Chemical Company
Kearny, New Jersey

PACKAGING

plastic bottles:

IMCO Container Company†
Kansas City, Missouri
Baltimore, Maryland
Belvidere, New Jersey
Plainfield, New Jersey
Goleta, California
Harrisonburg, Virginia
Jeffersonville, Indiana
Los Angeles, California
St. Louis, Missouri

IMCO Container (Canada) Ltd.†
Cooksville, Ontario, Canada

IMCO Australia
Ferntree Gully, Australia

IMCO-England
Golborne, England

S.E.P.
Ghent, Belgium

Rexpak Scandinavia
Copenhagen, Denmark

Litoplas
Madrid, Spain

B.E.P.S.A.
Barcelona, Spain

metal tubes:

White Metal Manufacturing Company
Hawthorne, New Jersey
Indianapolis, Indiana

closures:

IMCO†
Excelsior Springs, Missouri

Rexpak
Farnumsville, Massachusetts

packaging film:

Consolidated Thermoplastics Film Division†
Chippewa Falls, Wisconsin
Santa Ana, California
Woonsocket, Rhode Island

B.E.P.S.A.
Barcelona, Spain

plastic vials:

Litoplas
Madrid, Spain

garden hose, plastic blending:

Colorite Plastics
Paterson, New Jersey
Santa Ana, California

specialty extrusions:

Colorite Plastics
Totowa, New Jersey

surgical and recreational products:

Seamless Rubber Company
New Haven, Connecticut

cotton first aid products:

Seamless Rubber Company
Valley Park, Missouri

abrasives:

Rex-cut Products Company
Fall River, Massachusetts

CONSTRUCTION MATERIALS

decorative laminates, laminated art and wallboard:

Ralph Wilson Plastics Company
Temple, Texas
Los Angeles, California
Chicago, Illinois
West Nyack, New York
Atlanta, Georgia
Miami, Florida
San Francisco, California

DIRECT SELLING

Tupperware food storage and serving, kitchen aids, toys:

Tupperware Company
North Smithfield, Rhode Island
Blackstone, Massachusetts

Tupperware Home Parties
Orlando, Florida •

Tupperware Home Parties, Ltd.
Cowansville, Quebec, Canada
Toronto, Ontario, Canada •

Tupperware Mexico
Lerma, Mexico*
Guatemala City, Guatemala •
Caracas, Venezuela •

Tupperware Europe
Paris, France •
Aalst, Belgium
Vienna, Austria •
Brussels, Belgium •
Frankfurt/Main, Germany •
Athens, Greece •
Milan, Italy •
Amsterdam, Netherlands •
Lisbon, Portugal •
Copenhagen, Denmark •
Madrid, Spain •
Geneva, Switzerland •

Tupperware England
London, England •
Wigan, England

Tupperware South Africa
Capetown, South Africa

Tupperware Middle East
Beirut, Lebanon •
Al Kuwait, Kuwait •
Amman, Jordan •

Tupperware Australia (Pty.) Ltd.
Ferntree Gully, Australia
Melbourne, Australia •

Tupperware Japan
Tokyo, Japan •
Okazaki, Japan

mold manufacturing:

Tupperware Company
Auburn, Massachusetts*

Sarex
Geneva, Switzerland

Diecraft Australia
Melbourne, Australia

Direct Selling Cosmetics:

Vanda Cosmetics Company
Orlando, Florida •

HOME DECORATIONS

decorative accessories, furniture carvings, premiums:

Syroco
Syracuse, New York
Mapleville, Rhode Island

SERVICES

Service Industries:

Bonus Gifts
Los Angeles, California •

ETHICAL DRUGS

Riker broncholytics, skeletal antispasmodics, hypotensives, appetite suppressants, analgesics:

Riker Laboratories
Northridge, California

Riker Pharmaceutical Company, Ltd.
Cooksville, Ontario, Canada

Riker Laboratories
Loughborough, England
Welwyn Garden City, England

Riker Laboratories Africa (Pty.) Ltd.
Observatory Cape, South Africa

Riker Laboratories Australia (Pty.) Ltd.
Crows Nest, Australia
Thornleigh, N.S.W., Australia

Riker Laboratories, (N.Z.) Ltd.
Wellington, New Zealand •

Riker-Evanston Argentina S.A.C.I.y F.
Buenos Aires, Argentina

Kettelhack-Riker Pharma GmbH
Borken, West Germany

Hormofarma-Riker S.A. de C.V.
Mexico City, Mexico

Laboratories Medial, S.A.
Lyon, France

PROPRIETARY DRUGS

Rexall proprietary drugs, cosmetics, vitamins and sundries:

Rexall Drug Company
St. Louis, Missouri

Rexall Drug Company Ltd.
Cooksville, Ontario, Canada

Rexall Drug Company, S.A. (Pty.) Ltd.
Port Elizabeth, South Africa
Johannesburg, South Africa •

Rexall Drug Company - England
Loughborough, England
Dublin, Ireland

private formula drugs, cosmetics, vitamins:

Carnegie Laboratories
St. Louis, Missouri

RETAIL DRUG STORES

company owned stores:

Drug King, Inc.
19 West Coast Stores

Gales Coffee Shops
10 West Coast Shops

Liggett Drug Company
74 East Coast Stores

Store Financing:

Rexall Realty Corporation
Los Angeles, California

TRANSFER AGENTS
Morgan Guaranty Trust Company of New York, New York
State Street Bank and Trust Company, Boston
Bank of America National Trust and Savings Association, Los Angeles

REGISTRARS
The Chase Manhattan Bank, New York
The National Shawmut Bank of Boston, Boston
United California Bank, Los Angeles

INDEPENDENT ACCOUNTANTS
Price Waterhouse & Co.

FOR ADDITIONAL COPIES WRITE:
The President,
Rexall Drug and Chemical Company,
Rexall Square, 8480 Beverly Boulevard,
Los Angeles, California 90054

NOTE: Words in italics on preceding pages are trademarks of Rexall Drug and Chemical Company

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*Under construction
**Joint venture with El Paso Products Company
†Divisions or subsidiaries of Consolidated Thermoplastics Company, jointly owned with El Paso Products Company
• Sales offices

REXALL